

OFFICIAL TRANSCRIPT OF PROCEEDINGS BEFORE THE POSTAL REGULATORY COMMISSION

In the Matter of:)	
)	
MAIL PROCESSING NETWORK)	Docket No. N2012-1
RATIONALIZATION SERVICE)	
CHANGES, 2012)	

VOLUME #9
HEARING TO ENTER UNITED STATES POSTAL SERVICE
REVISED CONSOLIDATION PLAN

Date: June 7, 2012
Place: Washington, D.C.
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POSTAL REGULATORY COMMISSION

In the Matter of:)
)
MAIL PROCESSING NETWORK) Docket No. N2012-1
RATIONALIZATION SERVICE)
CHANGES, 2012)

Suite 200, Hearing Room
Postal Regulatory Commission
901 New York Avenue, N.W.
Washington, D.C.

Volume 9
Thursday, June 7, 2012

HEARING TO ENTER UNITED STATES POSTAL SERVICE
REVISED CONSOLIDATION PLAN

The above-entitled matter came on for hearing,
pursuant to notice, at 10:05 a.m.

BEFORE:

HON. RUTH Y. GOLDWAY, CHAIRMAN
HON. Nanci E. LANGLEY, VICE CHAIRMAN
HON. MARK ACTON, COMMISSIONER
HON. TONY HAMMOND, COMMISSIONER
HON. ROBERT TAUB, COMMISSIONER

APPEARANCES:

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C O N T E N T S

WITNESSES APPEARING:
EMILY ROSENBERG

<u>WITNESSES:</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>	<u>VOIR DIRE</u>
Emily Rosenberg	--	---	---	---	--
By Mr. Anderson	--	2737	---	---	--
By Ms. Keller	--	2750	---	---	--
By Mr. Anderson	--	2814	---	---	--

<u>DOCUMENTS TRANSCRIBED INTO THE RECORD</u>	<u>PAGE</u>
Response of United States Postal Service Witness Martin to Question 6 of Presiding Officer's Information Request No. 7, USPS-T-6	2694
Response of United States Postal Service Witness Williams to Question Posed During Cross-Examination, USPS-T-1	2696
Response of United States Postal Service Witness Rosenberg to Commission Information Request No. 1, Revised 6-6-12, USPS-T-3	2712
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E X H I B I T S

<u>EXHIBITS AND/OR TESTIMONY</u>	<u>IDENTIFIED</u>	<u>RECEIVED</u>
Response of United States Postal Service Witness Martin to Question 6 of Presiding Officer's Information Request No. 7, USPS-T-6	2692	2693
Response of United States Postal Service Witness Williams to Question Posed During Cross- Examination, USPS-T-1	2692	2693
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P R O C E E D I N G S

(10:05 a.m.)

CHAIRMAN GOLDWAY: Good morning, ladies and gentlemen. This hearing of the Postal Regulatory Commission will come to order.

On May 17, 2012, the Postal Service announced that it had plans to move ahead with a modified plan to consolidate its network of 461 mail processing locations in phases. Consistent with its modified plan, the Postal Service published final rules in the *Federal Register* concerning new service standards.

In today's hearing, the Commission will receive evidence concerning the Postal Service's modified plan and new service standards as part of its plan for mail processing network rationalization and associated service changes. The Commission will evaluate this evidence when considering the Postal Service's request for an advisory opinion in Docket No. 2012-1.

For the record, I am Ruth Goldway, Chairman of the Postal Regulatory Commission, and joining me on the dais this morning are Vice Chairman Langley, Commissioner Acton, Commissioner Hammond and Commissioner Taub.

1 We have a long, complicated process in front
2 of us today so I will not go into a long welcoming
3 speech except to say that we're glad to see some
4 familiar faces here in the audience and some new ones
5 and that we hope that today's proceedings will go
6 smoothly.

7 If my colleagues would like to say anything
8 before we begin?

9 (No response.)

10 CHAIRMAN GOLDWAY: No? Then we'll deal with
11 some procedural matters if we may.

12 There has been no indication that a closed
13 hearing will be necessary today. It is the
14 responsibility of counsel to alert me if this
15 circumstance changes. If it becomes necessary, a
16 closed session will be convened at the end of the
17 hearing day to consider material under seal.

18 I would like to remind those in the audience
19 today that this hearing is being web broadcast. In an
20 effort to reduce potential confusion, I ask that
21 counsel wait to be recognized before speaking and to
22 please identify yourself when commenting. After you
23 are recognized, please speak clearly so that our
24 microphones may pick up your remarks.

25 At this time, I would like to designate

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1 recently filed Postal Service responses to questions
2 in the record. The responses are identified as
3 Response of the United States Postal Service Witness
4 Martin to Question 6 of Presiding Officer's
5 Information Request 7 and Response of the United
6 States Postal Service Witness Williams to Question
7 Posed During the May 9, 2012, Oral Cross-Examination.

8 (The documents referred to
9 were marked for
10 identification as Exhibit
11 Nos. USPS-T-6 and USPS-T-1.)

12 CHAIRMAN GOLDWAY: I have a packet here
13 today. Has the Postal Service counsel had an
14 opportunity to review these responses provided to them
15 before the hearing and, if so, are there any
16 corrections or additions that need to be made?

17 MR. TIDWELL: Good morning, Madam Chairman.
18 Michael Tidwell for the Postal Service. We have
19 reviewed the responses, and there are no corrections
20 that are necessary.

21 CHAIRMAN GOLDWAY: Are there any objections
22 to this material being entered into the record?

23 (No response.)

24 CHAIRMAN GOLDWAY: Hearing none, I will
25 provide two copies of the designated material to the

1 court reporter, and that material is received into
2 evidence and is to be transcribed into the record.

3 (The documents referred to,
4 previously identified as
5 Exhibit Nos. USPS-T-6 and
6 USPS-T-1, were received in
7 evidence.)

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MARTIN TO
QUESTION 6 OF PRESIDING OFFICER'S INFORMATION REQUEST NO. 7**

RESPONSE TO QUESTION 6 (CONT.):

Transportation REDACTED" in public library reference USPS-LR-N2012-1/98. In these spreadsheets, the notation "Not Available" within the "Correct Route Number" column indicates that an HCR ID No. has not been assigned because the route is a proposed route. The notation "Not Applicable" within the "Correct Route Number" column indicates that there is no cost associated with the particular route (e.g., the Area office has proposed that a hub be established and the costs associated with that hub are not attributable to a particular route).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
TO QUESTION POSED DURING CROSS-EXAMINATION**

Tr. Vol. 8 at page 2599 -- **Chairman Goldway:** At the previous hearing, Mr. Williams indicated that he would prepare a report for us on hubs. Please provide that report.

RESPONSE:

To a great extent, witnesses Neri and Martin, in cross-examination subsequent to mine, have provided an overview of the relationship between the AMP process and the role of hub operations in the postal network. In summarizing our collective testimonies, I offer some additional observations below.

The use of hub operations by the Postal Service is not new. Such operations have long been in use and are referred to by many different names such as cross-dock facility, transfer facility, surface transfer center (STC) or container transfer operation. Hub activities are a key function of all network facilities including processing and distribution centers (P&DC)s, Logistics and Distribution Centers (L&DC)s, Network Distribution Centers (NDCs), etc. In some cases today, cross-dock type operations exist in non-network facilities such as Post Offices.

To improve efficiency and timeliness in the surface movement of mail between processing plants, the Postal Service has long maintained mail container transfer operations within Sectional Center Facility service areas to meet applicable service standards. See Tr. Vol. 2 at 257, 264-65, 279-80, 262; Tr. Vol. 8 at 2591-92. Such transfer operations are often conducted at existing Processing &

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS
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Distribution Centers, Network Distribution Centers, Post Offices or other postal facilities that has suitable dock and workroom space. See Tr. Vol. 2 at 161; Tr. Vol. 8 at 2593. They also may be conducted at contracted facilities such as Surface Transfer Centers (STCs). Thus, these transfer operations may be one of many postal functions performed at locations where they exist, or they may be the principal (or even sole) activity at the location in question.

The nature of such operations may vary from one SCF service area to the next, depending on the operational and transportation needs of the plant or plants they serve. Hub operations are intended to make plant-to-plant transfers of mail more efficient in several ways. They create opportunities to transport full(er) truckloads of mail containers from various origins to a point where their contents will be cross-docked and consolidated with other mail in a full(er) truck headed to a common destination. *Id.* at 264-65. Hubs create opportunities for a cluster of mail processing plants in relatively close proximity to each other in a sprawling metropolitan area (such as Washington, D.C. and its suburbs) to cross-dock and consolidate containers to more efficiently transport mail from plant to plant, and between plants and post offices. The objective in establishing hubs at every level is to consolidate the movement of containers and pull transportation miles (and associated costs) out of the postal system. Tr. Vol. 2 at 264-65. Such consolidation improves opportunities to better match the arrival of mail with processing operations at receiving facilities.

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TO QUESTION POSED DURING CROSS-EXAMINATION**

Thus, for instance, the operation of a surface transfer hub in Capitol Heights MD can serve as a drop-off point for trucks from such origins as Baltimore MD, Philadelphia PA, Brooklyn NY, Columbus OH, Greensboro NC or Atlanta GA, and numerous other locations, all of which may be carrying mail destined for each of the five Washington DC area mail processing plants. Such a hub allows for cross-docking and consolidation of containers of mail that both originates and destinate in the DC area. Rather than each origin sending a truck directly to each of the five DC area plants or sending a truck that makes a separate delivery to each DC area plant, hub operations improve transportation operations and reduce transportation costs. This reduces the number of trucks that might otherwise need to navigate the most congested traffic routes in a given metropolitan area. Hubs exist in the current postal network to exploit opportunities to reduce costs below that which would be generated by reliance on direct plant-to-plant transportation.

Likewise the Duluth MN AMP consolidation plan in USPS Library Reference N2012-1/73 proposes that the cross-dock continue in the Duluth facility to serve as a drop-off point for trucks to and from numerous small town Wisconsin post offices. Mail will then be consolidated into fewer containers and placed on surface trips going to the St. Paul MN P&DC. Processed mail returning to these post offices for delivery will be sent to the Duluth facility, where it will be put on trucks which service these post offices. The purpose of this type of operation is to avoid the use of many trucks from St. Paul to each of these post offices which

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would only be partially full. Consolidating the mail onto fewer trucks going into Duluth and then smaller trucks which service these delivery units results in improved vehicle space utilization, fewer total miles traveled and reduces costs. Whether the Duluth P&DC will be the permanent location of these cross-dock operations has not been determined. An alternate location could be chosen if the cost of procuring and operating such a space would result in decreased costs.

It is worth emphasizing that network rationalization does not alter the significance of the long-standing subordinate role that hubs play in various localities in which they operate. If a particular plant is closed or takes on new responsibilities, hub operations that currently serve that plant may be discontinued, relocated or altered. Or they may experience no material change.

It has been observed that hub operations are not explicitly identified in all Area Mail Processing (AMP) plant consolidation proposals. The transportation and workhour estimates included within these documents would reflect the associated costs and savings associated with these operations. The fact that these operations are not explicitly identified in all cases merely reflects the subordinate status of hubs and the general absence of a necessity to particularly identify them when examining whether to consolidate mail processing operations. Whether or not mail processing consolidation occurs, hubs will exist to the extent that they can reduce transportation costs that would otherwise be incurred.

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The determination to establish, change or eliminate hub operations associated with mail processing plants is a determination made by local, District, and Area mail processing and transportation managers responsible for managing inter-relationships among those plants, in consultation with headquarters. Centralized rationalization of the network as a whole does not require headquarters to micro-manage how many hubs should be operated or where they should be located. Tr. Vol. 8 at 2592-93. The number and location of hubs can change over time. Therefore, it is only logical that the existence and location and number of hubs would be adjusted by local management to suit a new network configuration. However, the determining factors regarding hubs in the future will continue to be whether their existence would reduce transportation costs in the new network configuration and permit the achievement of applicable service standards.

The interest in hubs in this case seems to have several principal sources. The first appears to be an interest in preserving as many mail entry points as possible for periodicals, as the number of mail processing plants decreases in the future network. It should be emphasized that, as in the current network, hub locations in the future will operate as mail entry points to the extent that the facility housing the hub also happens to house a Business Mail Entry Unit.

A second source of interest seems to spring from an apparent concern that, relatively few Area Mail Processing studies explicitly incorporate proposals to establish or modify hubs or reflect analysis of potential hubs. See Tr. Vol. 8 at

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2591. I conceded as much in my testimony at Tr. Vol. 2 at 342. However, it should be emphasized that existing or potential hubs are routinely referenced in AMP studies. Their feasibility of hubs (whether they currently exist or are only contemplated) after a network change is routinely not contemplated until transportation changes are being planned during post-decision AMP implementation. Tr. Vol. 8 at 2603-05. It is commonly the case that a consolidation may result in no material change in existing hub operations. Tr. Vol. 5 at 2084. Accordingly, potential changes in hub operations are often not viewed as significant enough to warrant more than a passing reference, if that, in an AMP proposal. Tr. Vol. 5 at 2121.

There also appears to be some concern that changes in hub operations resulting from network rationalization could generate significant additional implementation costs that are unaccounted. This expectation appears borne of a genuine concern for cost accounting, but also appears to spring from a misunderstanding of the AMP decision-making process and the underlying rationale for the establishment of hubs. Some attention has been focused on the fact that little hub-related operational or cost data are reflected generally in AMP decision packages; however, a cost-generating hub proposal for the Boston MA area was given considerable attention in conjunction with several related AMP decisions, raising the apparent specter that an unknown number of similar hubs may materialize when other AMP decisions are implemented, each generating significant additional unaccounted costs.

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Hub determinations do not drive AMP plant consolidation business cases and only affect one aspect of the manner in which an AMP consolidation may be implemented. Although not explicitly identified, these costs, if applicable, are accounted for in AMP studies in the workhour and transportation proposals. Whether or not an AMP study reflects a specific hub proposal, if the mail processing plant consolidation is approved, the feasibility of establishing hubs will be explored during the AMP implementation process and hubs will be activated (or modified if already existing) if doing so will reduce the transportation costs otherwise expected to be incurred.

Given that hubs are established and operated for the purpose of reducing transportation costs, it is counter-intuitive to presume that the absence of a complete future hub-related cost-benefit analysis in each of the various AMP decision packages reflects a failure to account for significant additional future AMP implementation costs. In those cases where an AMP proposal assumes the necessity to establish a hub where one currently does not exist and the need to incur significant one-time costs in doing so,¹ the overriding consideration in determining whether to establish such a hub will be the same as exist today: assessing whether such a hub reduces transportation costs that would otherwise be incurred and supports achievement of applicable service standards. Accordingly, it is unreasonable to expect the Postal Service to estimate the extent to which hubs will reduce those transportation costs before the Postal

¹ As in the case of the cluster of consolidations planned in the Boston MA area.

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Service has completed the post-AMP decision process of determining the transportation contracts it will execute or modify, and determined what the baseline transportation costs for affected network nodes will be. Whether existing hubs continue or are relocated, or new ones are created depends on what transportation costs are estimated to be incurred when a consolidation is implemented. A decision to then establish a new hub or modify an existing one in conjunction with that plant consolidation is driven by whether it results in a net reduction in transportation costs and will achieve service standards.

As witness Martin testified, in the AMP consolidation planning and implementation process, local, District, and Area offices tend to act conservatively in establishing AMP transportation plans. Tr. Vol. 8 at 2590. One of the virtues of the AMP Post-Implementation Review (PIR) process is that it presents opportunities for the field to re-assess the original transportation plan after the AMP implementation "dust has settled." As local managers gain confidence that they have worked through the kinks of implementation, I expect the PIR process to reflect that they will be more receptive to the operation of less direct transportation and the establishment of more cost-effective hub operations will permit the achievement of the service standards for which they are being held accountable.

1 CHAIRMAN GOLDWAY: Do any participants have
2 responses to discovery unrelated to the modified plan
3 we will be discussing later today that they would like
4 to designate for the record today? As a reminder, for
5 material to be designated two copies must be available
6 to hand to the reporter.

7 (No response.)

8 CHAIRMAN GOLDWAY: No additional material.
9 Okay. Does any participant have a procedural matter
10 to raise at this time?

11 MR. ANDERSON: Madam Chairman?

12 CHAIRMAN GOLDWAY: Speak up and identify
13 yourself, please.

14 MR. ANDERSON: Darryl Anderson, counsel for
15 the American Postal Workers Union.

16 Preliminarily, Madam Chairman and
17 Commissioners, on behalf of the APWU I think it's
18 appropriate, and hope you'll agree, for me to alert
19 you at this time before we begin the hearing today and
20 the substance of it to alert you that the APWU will be
21 filing a complaint asserting the position that the
22 Postal Service may not proceed to implement its
23 network consolidation plan and effect service standard
24 changes without receiving the advisory opinion of the
25 Commission in this matter.

1 I bring that up now not because it's
2 necessary, but I thought as a context because it's
3 pertinent also to the proceeding today concerning the
4 interim standard. The requirements of § 3661 of the
5 Act apply equally to the Postal Service's interim
6 final rule and its decision to proceed to modify
7 service standards and to make operational changes on a
8 nationwide basis.

9 And insofar as we can tell from the Postal
10 Service's response to the Commission's inquiries about
11 the interim standard, there's thus far at least and if
12 those questions and answers are the only things put
13 into the record with regard to the interim standard
14 there will be no record support for the Postal
15 Service's action in promulgating that interim
16 standard.

17 And I mean by that no criticism of today's
18 witness, and I don't mean to be pejorative about what
19 the Postal Service has done in the sense that we
20 recognize that the circumstances the Postal Service
21 finds itself in are unusual and difficult, but that
22 doesn't detract from the obligation of the Postal
23 Service and the Commission to provide due process
24 under 3661 of the statute.

25 Thus far it appears that there will be no

1 analysis supporting the operational changes the Postal
2 Service has proposed to make, no estimate of lost
3 revenues as a consequence of the service standard
4 changes they have decided to make. Given the complete
5 lack of that analysis and evidence, there's no basis
6 for us to evaluate it or to receive due process with
7 regard to the advisability of those actions, and we
8 would suggest and urge that the Commission find and
9 assume that there is no justification unless the
10 Postal Service provides that justification of the
11 record here.

12 So I thought it appropriate to say those
13 things not to set an edgy tone for this proceeding,
14 but rather than make that point at the end I'll make
15 it now and then at least the Postal Service and its
16 witness and the Commissioners will know the standard
17 by which the APWU at least believes these proceedings
18 should be judged. Thank you for indulging me that
19 opportunity to make that statement.

20 CHAIRMAN GOLDWAY: We'll all be interested
21 in reading your formal filing and we'll have to
22 determine how to proceed after that, but I'm happy to
23 have given you the opportunity to make those comments
24 to begin with.

25 MR. TIDWELL: Madam Chairman, Michael

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1 Tidwell for the Postal Service. If I may interject
2 just briefly to inquire just to clarify?

3 Counsel for APWU, were you referring to a
4 complaint to be filed at the Commission or in some
5 other venue?

6 MR. ANDERSON: We will file a complaint with
7 the Commission.

8 MR. TIDWELL: Thanks.

9 CHAIRMAN GOLDWAY: Okay. If there are no
10 other procedural matters then the Postal Service has
11 been asked to provide a witness to explain its May 17,
12 2012, announcement concerning a modified network
13 consolidation plan and associated service standards.

14 The Commission seeks an accurate description
15 of the modified plan and associated service standards
16 for the record in this docket. The Commission also
17 intends to explore the effects of the Postal Service's
18 recent announcements on the existing record material.

19 Mr. Tidwell, do you have a witness for us
20 this morning?

21 MR. TIDWELL: Yes, Madam Chairman. The
22 Postal Service has called Emily Rosenberg to the
23 stand. Ms. Rosenberg testified earlier in this
24 proceeding.

25 CHAIRMAN GOLDWAY: Ms. Rosenberg is under

1 oath then as she's been previously sworn in and will
2 remain under oath today.

3 Whereupon,

4 EMILY ROSENBERG

5 having been previously duly sworn, was
6 recalled as a witness herein and was examined and
7 testified further as follows:

8 CHAIRMAN GOLDWAY: The Commission has issued
9 Information Request No. 1, which relates to the
10 testimony we're about to hear today. Witness
11 Rosenberg has provided responses to all questions.

12 At this time, I would like to incorporate
13 the responses into the record. The separate Excel
14 file that accompanies the responses are to be included
15 by reference. The responses are identified as
16 Response of the United States Postal Service Witness
17 Rosenberg to Chairman's Information Request No. 1,
18 Questions 1 through 9.

19 I am also including the May 17, 2012, press
20 release identified as United States Postal News
21 Release No. 12-058. This was an attachment to the
22 Chairman's Information Request No. 1, Question 1.
23 However, it was not reproduced in the Postal Service's
24 response to that question.

25 //

1 (The document referred to was
2 marked for identification as
3 Exhibit No. USPS-T-3.)

4 CHAIRMAN GOLDWAY: Several errata to the
5 Postal Service's answers have been filed. Mr.
6 Tidwell, have you reviewed the responses to be entered
7 into the record to assure that all the errata have
8 been included?

9 MR. TIDWELL: Yes, Madam Chairman. In fact,
10 we have two copies of the complete set with the
11 attachment to Question 1 and the attachment to
12 Question 4 on the witness table today if necessary for
13 purposes of today's hearing.

14 CHAIRMAN GOLDWAY: Would you like to explain
15 the errata so that counsel are fully aware of the
16 contents of the changes?

17 MR. TIDWELL: Yes, ma'am. The errata
18 consist of in response to Question 6 there was one
19 Excel workbook and two Excel spreadsheets that were
20 originally intended to have been attached. Counsel
21 neglected to attach them with the first filing,
22 neglected to attach two of them to the first filing.

23 When counsel sought to correct that, counsel
24 duplicated one of the attachments and filed two
25 versions of that attachment instead of the two

1 separate attachments. Counsel finally got it right
2 this morning, and all three correct attachments were
3 electronically filed this morning, and as a courtesy
4 we alerted parties to this glitch last evening.

5 So the packets that are now on the table are
6 complete. They contain the attachment, the press
7 release attachment, to Question 1, the attachment to
8 Question 4, the response to Question 4, and we have
9 made sure that all three of the electronic
10 spreadsheets are as represented in the written
11 responses.

12 CHAIRMAN GOLDWAY: Thank you. We can be
13 glad that counsel is not operating the plants in the
14 network.

15 MR. TIDWELL: They keep me far away.

16 CHAIRMAN GOLDWAY: I would say that for
17 myself as well.

18 Ms. Rosenberg, have you had an opportunity
19 to review the responses before the hearing?

20 THE WITNESS: Yes, I have.

21 CHAIRMAN GOLDWAY: If so, are there any
22 additional corrections or additions that need to be
23 made?

24 THE WITNESS: There's no additional
25 corrections that need to be made.

1 CHAIRMAN GOLDWAY: Do you attest to the
2 accuracy of the responses?

3 THE WITNESS: Yes, I do.

4 CHAIRMAN GOLDWAY: And are there any
5 objections to this material being entered into the
6 record?

7 (No response.)

8 CHAIRMAN GOLDWAY: Hearing none, I'll
9 provide two copies of the designated material to the
10 reporter, and that material is received into evidence
11 and is to be transcribed into the record.

12 (The document referred to,
13 previously identified as
14 Exhibit No. USPS-T-3, was
15 received in evidence.)

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROSENBERG
TO COMMISSION INFORMATION REQUEST NO. 1**

Revised: June 6, 2012

1. May 17, 2012, attached. It describes a recently modified plan (Modified Plan) for implementation of the MPNR. Is this news release accurate? If not, please provide all appropriate corrections.

RESPONSE

United States Postal News Release No.12-058 reflected an overview of the modified network implementation plan at the time the news release was published. The implementation plan is expected to evolve as numerous facility-specific details are refined and finalized. See also the response to Question 4 regarding facility counts for additional information.



POSTAL NEWS

FOR IMMEDIATE RELEASE
May 17, 2012

Contact: Public Relations
202.268.2155
usps.com/news
Release No. 12-058



Postal Service Moves Ahead with Modified Network Consolidation Plan *9-Month Implementation; \$1.2 Billion in Cost Reductions*

WASHINGTON — The U.S. Postal Service today announced plans to move ahead with a modified plan to consolidate its network of 461 mail processing locations in phases. The first phase of activities will result in up to 140 consolidations through February of 2013. Unless the circumstances of the Postal Service change in the interim, a second and final phase of 89 consolidations is currently scheduled to begin in February of 2014.

"We revised our network consolidation timeline to provide a longer planning schedule for our customers, employees and other stakeholders, and to enable a more methodical and measured implementation," said Patrick R. Donahoe, Postmaster General and Chief Executive Officer of the Postal Service.

"We simply do not have the mail volumes to justify the size and capacity of our current mail processing network. To return to long-term profitability and financial stability while keeping mail affordable, we must match our network to the anticipated workload," said Donahoe. "Our current plan meets our cost reduction goals, ensures seamless and excellent service performance throughout the implementation period, and provides adequate time for our customers to adapt to our network changes."

The Postal Service will begin consolidating operations this summer – which mostly involve transferring mail-processing operations from smaller to larger facilities. Due to the volume of high-priority mail predicted for the election and holiday mailing seasons, no consolidating activities will be conducted from September through December of 2012. Approximately 5,000 employees will begin receiving notifications next week related to consolidating and other efficiency-enhancing activities to be conducted this summer.

"We will be conducting consolidation activities this summer at only 48 locations," said Megan Brennan, chief operating officer of the Postal Service. "As a result, nearly all consolidating activities in 2012 will occur in August and then will resume again the early part of next year."

These consolidating activities will reduce the size of the Postal Service workforce by approximately 13,000 employees and, when fully implemented, will generate cost reductions of approximately \$1.2 billion annually.

"The Postal Service will be communicating with our customers and employees about these changes in great detail," said Megan Brennan. "We will work closely with our customers to ensure there are no surprises as we move forward."

The Postal Service also announced it is working with its unions for an employee retirement incentive, although no final decision has been made. "The Postal Service has reduced the size of its workforce by 244,000 career employees since 2000 without resorting to layoffs," said Brennan. "We are a responsible employer and we will work with our employees to ensure a smooth transition to a much leaner organization."

The Postal Service also announced that it would soon issue a new regulation to modify its existing Service Standard for overnight delivery. The Postal Service said a Final Rule would soon be published in the Federal Register that would initially shrink the geographic reach of overnight service to local

areas and enable consolidation activity in 2013. The new rule would further tighten the overnight delivery standard in 2014 and enable further consolidation of the Postal Service mail processing network absent any change to the circumstances of the Postal Service.

"We are essentially preserving overnight delivery for First-Class Mail through the end of 2013, although we are collapsing the distance that we can provide overnight service to the distribution area served by a particular mail processing facility," said Megan Brennan. Approximately 80 percent of First-Class Mail will still be delivered overnight.

The Postal Service stated its expectation to pursue additional consolidation activities for an additional 89 mail processing locations beginning in 2014 unless its circumstances change. These consolidations would be based on long-term service standards that would significantly revise mail-entry times for customers seeking overnight delivery.

"Given that the Postal Service is currently projecting a \$14 billion net loss in FY2012, and continuing annual losses of this magnitude, we simply cannot justify maintaining our current mail processing footprint," said Donahoe.

When fully implemented in late 2014, the Postal Service expects its network consolidations to generate approximately \$2.1 billion in annual cost reductions, and lead to total workforce reduction up to 28,000 employees.

The list of 140 mail processing locations to be consolidated by February of 2013 is available at <http://about.usps.com/news/electronic-press-kits/our-future-network/welcome.htm>.

The Postal Service receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations.

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Please Note: For broadcast quality video and audio, photo stills and other media resources, visit the USPS Newsroom at <http://about.usps.com/news/welcome.htm>.

For reporters interested in speaking with a regional Postal Service public relations professional, please go to <http://about.usps.com/news/media-contacts/usps-local-media-contacts.pdf>.

A self-supporting government enterprise, the U.S. Postal Service is the only delivery service that reaches every address in the nation, 151 million residences, businesses and Post Office Boxes. The Postal Service receives no tax dollars for operating expenses, and relies on the sale of postage, products and services to fund its operations. With 32,000 retail locations and the most frequently visited website in the federal government, *usps.com*, the Postal Service has annual revenue of more than \$65 billion and delivers nearly 40 percent of the world's mail. If it were a private sector company, the U.S. Postal Service would rank 35th in the 2011 Fortune 500. In 2011, the U.S. Postal Service was ranked number one in overall service performance, out of the top 20 wealthiest nations in the world, Oxford Strategic Consulting. *Black Enterprise* and *Hispanic Business* magazines ranked the Postal Service as a leader in workforce diversity. The Postal Service has been named the Most Trusted Government Agency for six years and the sixth Most Trusted Business in the nation by the Ponemon Institute.

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2. The Postal Service originally planned to change the service standards for First-Class Mail within in the contiguous United States from 1 to 3 days to, to 2 to 3 days, thus eliminating the overnight service standard. The Modified Plans retains an overnight service standard for a significant portion of the First Class Mail through February 2014. Please provide the business rules for 1- to 3-day service standards that are proposed to be in effect both before and after the February 2014 date.

RESPONSE

The proposed rule reflected a plan to modify the overnight service standard in 39 C.F.R. Part 121.1 so that it only applied to properly prepared and entered Presort First-Class Mail. See USPS Library Reference N2012-1/8 (76 Fed. Reg. 77942, December 15, 2011). As reflected in USPS Library Reference N2012-1/99 (77 Fed. Reg. 31196, May 25, 2012), the final rule reflects a determination to implement that proposal effective February, 2014. The interim and final First-Class Mail service standard business rules are reflected in USPS Library Reference N2012-1/99 at page 31196, and are depicted graphically at page 31199.

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3. In Docket No. N2012-1, the Postal Service originally estimated a net cost savings of \$2.1 billion annually. As a result of the February 23, 2012, Area Mail Processing (AMP) studies, the Postal Service reduced this estimate to \$1.6 billion annually in testimony presented to the Commission. See USPS-ST-4 at 16; USPS-T-12 at 20.

The Modified Plan indicates that cost reductions from the modified network consolidation plan will result in \$2.1 billion in annual savings, with \$1.2 billion in annual savings from phase one of the network consolidation.

- a. Please provide the basis of the estimated cost savings of \$2.1 billion annually under the Modified Plan. Please describe any differences in this estimate from the \$2.1 billion estimate originally provided in Docket No. N2012-1 and include all supporting workpapers.
- b. Please demonstrate how the \$2.1 billion in annual savings is disaggregated between phase one and phase two under the Modified Plan and include all supporting workpapers.
- c. Please provide an estimate of contribution lost as a result of volume declines due to the reduction in service, disaggregated by phase one and by phase two of the Modified Plan, and include all supporting workpapers.
- d. Please confirm that net savings has increased from \$1.6 billion annually (the current Docket No. N2012-1 estimate) to \$2.1 billion in annual savings under the Modified Plan. If not, please explain.

RESPONSE

- (a) The \$2.1 billion figure in this press release is the same \$2.1 billion figure in the supplemental testimony of USPS witness Bradley (USPS-ST-4).
- (b) The \$2.1B in total full-up savings referenced above in response to part (a) includes any Phase I savings. The \$1.2B estimate in the press release represents an internal target for cost reductions developed during consideration of mailer comments in the service standard rulemaking (before the preparation of the April 30 supplemental costing testimony (USPS-ST-3 and USPS-ST-4)) that the Postal Service consider a gradual approach to implementing the proposed

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RESPONSE to Question 3 (continued)

Accordingly, the \$1.2B target is based on the original \$2.57B cost savings estimate filed in support of the Request in this case, not the revised \$2.1B estimate.

The \$1.2B figure was developed simply by approximating the workroom square footage of approximately 160 facilities (identified as potential candidates for consolidation in the first part of a phased implementation of the proposed overnight First-Class Mail service standard change), as a percentage of the overall workroom square footage of all facilities that are candidate for consolidation (around 229). The result is approximately 64 percent. That percentage was then applied to the following categories of the original \$2.57B total estimated savings:

- Workload Transfer
- Supervision and Plant Management Reductions
- In Plant Support Reductions
- Indirect Cost Reductions
- PVS to HCR Conversions
- Plant-to-PO Network Restructuring
- Building Maintenance and Custodial Labor
- Utilities
- Supplies and Contractor Costs
- Rents or Rental Opportunity Costs

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Based on consultations among subject headquarters subject matter experts, a 10 percent capture rate was applied to Plant-to-Plant HCR Network Restructuring, a 35 percent capture rate was applied to the Productivity Gains, and a 75 percent capture rate was applied to the Maintenance Labor and Parts and Supplies.

There were no savings estimates included for:

- Premium Pay Reductions
- Reduction in Outgoing Secondary Sorting
- Replacement of CSBCS and USFM10000
- Additional DPS Sorting.

These calculations are shown in the Excel workbook accompanying this response, in the "SavingsEstimate_IntraSCF.xls." tab "Costing." No similar analysis has been performed to disaggregate the current \$2.1B full-up cost savings estimate. The remainder of the \$2.1B in savings is expected to be generated by the implementation of Phase II.

- (c) I am informed by witness Whiteman (USPS-T-12) that no similar disaggregated Phase-by-Phase contribution loss analysis has been performed.
- (d) Not confirmed. See the responses to parts (a) through (c). The press release merely reflects the revised Postal Service (USPS-ST-4) estimate of operational cost savings and does not address the contribution loss estimate provided by witness Whiteman in USPS-T-12.

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4. The Postal Service states that 229 facilities will be scheduled for consolidation under the Modified Plan (140 consolidations in phase one and 89 facilities in phase two). Forty-eight facilities are scheduled for consolidation starting soon after May 2012, with another 92 facilities scheduled for consolidation starting January/February 2013, and the final 89 facilities scheduled for consolidation starting February 2014.
 - a. Please confirm that the 229 facilities identified in the Modified Plan are the same 229 facilities (223 approved consolidations and 6 ongoing AMP studies) identified by the February 23, 2012 AMP study results. See Library Reference USPS-LR-N2012-1/73. If not confirmed, please identify the different facilities and provide the associated AMP studies if not already included in Library Reference USPS-LR-N2012-1/73.
 - b. Please identify the facilities in the first group of 48 facilities scheduled for potential consolidation starting soon after May 2012.
 - c. Please identify the facilities in the second group of 92 facilities scheduled for consolidation starting January/February 2013.
 - d. Please identify the facilities in the third group of 89 facilities scheduled for consolidation starting February 2014.

RESPONSE

- (a) Not confirmed. The press release list of 229 reflects the addition of four facilities (Coshocton OH, Massillon OH, Portsmouth OH, and Wooster OH) and ultimately the removal of four (Eastern Shore MD, Springfield IL, White River Junction VT, and Eastern Maine ME) from consideration. The four additional sites are not network facilities and are therefore not reflected in USPS Library Reference N2012-1/57 which shows the entire population of network facilities. These sites are Post Offices which contain Carrier Sequence Bar Code Sorters that are projected to be removed during the same time period. These sites were inadvertently included in the press release list, but do not actually reflect an elimination of a network facility. There are no AMP studies to support these

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RESPONSE to Question 4 (continued)

equipment relocations since they do not perform outgoing or destinating Sectional Center Facility (SCF) processing that would be subject to the USPS Handbook PO-408 AMP guidelines.

- (b) A list identifying the group of 48 facilities presently identified as being subject to some form of operational consolidation in the summer of 2012 is reflected on the first page of the attachment to this response. The 48 sites, with the exception of Socorro NM, were drawn from the list of 140 disseminated as part of the May 17, 2012 press kit. The list of 140 is reflected in pages 2-5 of the attachment to this response. Socorro NM was inadvertently not included on that list.
- (c) The second group consists of the remainder of the consolidations identified on the list of 140 referenced in response to part (b).
- (d) .Subject to the modification described in response to part (a), the remaining 89 facilities would be what remains of the list of 229 in USPS Library Reference N2012-1/73. It should be emphasized that some facilities may be impacted in more than one phase. Under Phase I, only a portion of the operations at some sites could be consolidated. The remainder of the operations could be subject to consolidation as part of Phase II.

Attachment to Response to CIR 1 Q 4

List of 48 Summer 2012 Facilities

Hickory P&DF
 Waldorf MD CSMPC
 Altoona P&DF
 Greensburg CSMPC
 Mansfield P&DF
 Monmouth P&DC
 New Castle P&DF
 Pleasantville
 Southeastern P&DC
 Steubenville CSMPC
 Washington CSMPC
 Bloomington IL P&DF

Bloomington IN P&DF
 Carbondale CSMPC
 Cardiss Collins P&DC
 Centralia CSMPC
 Columbus IN CSMPC
 Detroit P1 Annex
 Effingham CSMPC
 Gaylord P&DF
 Lansing P&DC
 Kenosha WI CSMPC
 Portage WI CSMPC
 Quincy P&DF

Rockford P&DF
 Terre Haute P&DF
 Lowell MA DDC
 Northwest Boston P&DF
 Springfield, MA
 Utica NY
 Midway
 Modesto DDC
 North Bay P&DC
 North Peninsula DDC
 Pasadena
 Anniston AL

Fort Lauderdale FL
 Fort Worth TX (Orig)
 Mid-Florida FL (Orig)
 Tuscaloosa AL
 Waycross GA
 Alliance CSMPC
 Carroll CSMPC
 Creston IA CSMPC
 Devils Lake CSMPC
 Hutchinson CSMPC
 Socorro CSMPC
 Wheatland CSMPC

Potential to Consolidate*

Study Facility			Gaining Facility(ies)		
State	City	Facility	Gaining Site	City	State
AL	Anniston	Anniston CSMPC	Birmingham P&DC	Birmingham	AL
AL	Tuscaloosa	Tuscaloosa CSMPC	Birmingham P&DC	Birmingham	AL
AR	Jonesboro	Jonesboro CSMPC	Memphis P&DC	Memphis	TN
AR	FORT SMITH	Fort Smith CSMPC	NW Arkansas P&DF	Fayetteville	AR
AR	Harrison	Harrison P&DF	Fayetteville P&DF	Fayetteville	AR
AR	Hot Springs National Park	Hot Springs Ntl Pk CSMPC	Little Rock AR P&DC	Little Rock	AR
AZ	Tucson	Tucson P&DC	Phoenix P&DC	Phoenix	AZ
CA	Petaluma	North Bay CA DDC	Oakland P&DC	Oakland	CA
CA	PETALUMA	North Bay P&DC	Oakland P&DC	Oakland	CA
CA	Burlingame	North Peninsula CA DDC	San Francisco P&DC	San Francisco	CA
CA	Modesto	Modesto CA CSMPC	West Sacramento P&DC	West Sacramento	CA
CA	Stockton	Stockton P&DC	West Sacramento P&DC	West Sacramento	CA
CA	Bakersfield	Bakersfield P&DC	Santa Clarita P&DC	Santa Clarita	CA
CA	Pasadena	Pasadena P&DC	Los Angeles P&DC	Los Angeles	CA
CA	Long Beach	Long Beach P&DC	Los Angeles P&DC	Los Angeles	CA
CA	San Diego	Midway P&DF	ML Sellers CA P&DC	San Diego	CA
FL	Panama City	Panama City P&DF	Pensacola P&DC	Pensacola	FL
FL	Gainesville	Gainesville P&DF	Jacksonville P&DC	Jacksonville	FL
FL	Mid Florida	Mid-Florida P&DC	Orlando P&DC	Orlando	FL
FL	Pembroke Pines	South Florida P&DC	Miami P&DC	Miami	FL
FL	Fort Lauderdale	Fort Lauderdale P&DC	Miami P&DC	Miami	FL
GA	Waycross	Waycross CSMPC	Jacksonville P&DC	Jacksonville	FL
GA	Albany	Albany GA CSMPC	Tallahassee P&DF	Tallahassee	FL
GA	Columbus	Columbus GA CSMPC	Montgomery P&DC	Montgomery	AL
GA	Athens	Athens GA P&DF	North Metro P&DC	Duluth	GA
GA	Acworth	Acworth GA CSMPC	Atlanta P&DC	Atlanta	GA
GA	Cartersville	Cartersville GA CSMPC	Atlanta P&DC	Atlanta	GA
GA	Marietta	Marietta GA DDC	North Metro P&DC	Duluth	GA
GA	Savannah	Savannah P&DF	Charleston P&DF Macon P&DC Jacksonville P&DC	North Charleston; Macon; Jacksonville	SC; GA; FL
GA	Savannah	Savannah PO CSMPC	Charleston P&DF	North Charleston	SC
GA	Atlanta	Atlanta P&DC	North Metro P&DC	Duluth	GA
GA	Douglasville	Douglasville GA CSMPC	Atlanta P&DC	Atlanta	GA
IA	Carroll	Carroll CSMPC	Des Moines P&DC	Des Moines	IA
IA	Creston	Creston IA CSMPC	Des Moines P&DC	Des Moines	IA
IL	Chicago	Cardiss Collins P&DC	Carol Stream P&DC South Suburban P&DC	Carol Stream; Bedford Park	IL; IL
IL	Carbondale	Carbondale CSMPC	Springfield IL P&DC	Springfield	IL
IL	Bloomington	Bloomington IL P&DF	Peoria P&DF Champaign P&DF	Peoria; Champaign	IL; IL
IL	Rockford	Rockford P&DF	Carol Stream P&DC; Palatine P&DC	Carol Stream; Palatine	IL; IL
IL	Quincy	Quincy P&DF	Springfield IL P&DC	Springfield	IL
IL	Centralia	Centralia CSMPC	Springfield IL P&DC	Springfield	IL
IL	Effingham	Effingham CSMPC	Champaign P&DF	Champaign	IL

Potential to Consolidate*

State	Study Facility		Gaining Facility(ies)		
	City	Facility	Gaining Site	City	State
IN	Gary	Gary P&DC	So Suburban P&DC	Bedford Park	IL
IN	Bloomington	Bloomington IN P&DF	Indianapolis P&DC	Indianapolis	IN
IN	Kokomo	Kokomo IN P&DF	Indianapolis P&DC	Indianapolis	IN
IN	Terre Haute	Terre Haute P&DF	Indianapolis P&DC	Indianapolis	IN
IN	Columbus	Columbus IN CSMPC	Indianapolis P&DC	Indianapolis	IN
KS	Colby	Colby CSMPC	North Platte P&DF	North Platte	NE
KS	Hays	Hays CSMPC	Wichita P&DC	Wichita	KS
KS	Hutchinson	Hutchinson CSMPC	Wichita P&DC	Wichita	KS
KS	Liberal	Liberal CSMPC	Amarillo P&DF	Amarillo	TX
KS	Topeka	Topeka P&DF	Kansas City P&DC	Kansas City	MO
KY	Bowling Green	Bowling Green KY P&DF	Nashville TN P&DC	Nashville	TN
KY	Elizabethtown	Elizabethtown CSMPC	Louisville P&DC	Louisville	KY
KY	Hazard	Hazard CSMPC	Knoxville P&DC	Knoxville	TN
KY	London	London P&DF	Knoxville P&DC	Knoxville	TN
KY	Somerset	Somerset CSMPC	Knoxville P&DC	Knoxville	TN
LA	Lafayette	Lafayette LA P&DF	Baton Rouge P&DC	Baton Rouge	LA
MA	SPRINGFIELD	Springfield MA P&DC	Hartford P&DC & Central MA P&DC	Hartford; Shrewsbury	CT; MA
MA	Wareham	Wareham CSMPC	Providence P&DC	Providence	RI
MA	Lowell	Lowell MA DDC	Boston MA P&DC	Boston	MA
MA	Waltham	Northwest Boston P&DF	Boston P&DC (ltrs only) Middlesex Esx P&DC (flts only)	Boston; North Reading	MA; MA
MD	Waldorf	Waldorf MD CSMPC	Southern Maryland P&DC	Capitol Heights	MD
MD	Gaithersburg	Suburban MD Annex	Southern Maryland Capital Beltway Facility	Capitol Heights	MD
MI	Gaylord	Gaylord P&DF	Traverse City P&DF	Traverse City	MI
MI	Saginaw	Saginaw P&DC	Michigan Metroplex MI P&DC	Pontiac	MI
MI	Saginaw	Wheeler Street MI Annex	Michigan Metroplex MI P&DC	Pontiac	MI
MI	Jackson	Jackson MI CSMPC	Detroit P&DC	Detroit	MI
MI	Lansing	Lansing P&DC	Michigan Metroplex; Grand Rapids P&DC	Pontiac; Grand Rapids	MI
MI	Romulus	Detroit P1 Annex	Detroit P&DC	Detroit	MI
MN	Mankato	Mankato P&DF	Minneapolis P&DC	Minneapolis	MN
MN	Rochester	Rochester MN P&DF	Saint Paul P&DC	Saint Paul	MN
MN	Waite Park	Saint Cloud P&DF	Minneapolis P&DC	Minneapolis	MN
MS	Grenada	Grenada CSMPC	Jackson P&DC	Jackson	MS
MS	Tupelo	Tupelo CSMPC	Memphis P&DC	Memphis	TN
MT	Kalispell	Kalispell CSMPC	Missoula CSMPC	Missoula	MT
NC	Kinston	Kinston NC Annex	Raleigh P&DC	Raleigh	NC
NC	Kinston	Kinston P&DF	Raleigh P&DC	Raleigh	NC
NC	HICKORY	Hickory P&DF	Greensboro P&DC	GREENSBORO	NC
ND	Devils Lake	Devils Lake CSMPC	Grand Forks CSMPC	Grand Forks	ND
NE	LINCOLN	Lincoln P&DF	Omaha P&DC	OMAHA	NE
NE	Alliance	Alliance CSMPC	North Platte P&DF	North Platte	NE

Potential to Consolidate*

Study Facility			Gaining Facility(ies)		
State	City	Facility	Gaining Site	City	State
NJ	Egg Harbor Township	Jersey Shore (Pleasantville) DDC	South Jersey P&DC	Bellmawr	NJ
NJ	Eatontown	Monmouth P&DC	Trenton P&DC	Trenton	NJ
NM	Alamogordo	Alamogordo CSMPC	El Paso P&DC	El Paso	TX
NM	Roswell	Roswell CSMPC	Lubbock P&DF	Lubbock	TX
NY	Melville	Mid-Island NY Annex	Mid-Island NY P&DC	Melville	NY
NY	Staten Island	Staten Island P&DF	Brooklyn P&DC	Brooklyn	NY
NY	Monsey	Monsey NY DDC	Westchester NY P&DC	White Plains	NY
NY	Plattsburgh	Plattsburgh CSMPC	Albany P&DC	Albany	NY
NY	UTICA	Utica P&DF	Syracuse P&DC	SYRACUSE	NY
OH	Portsmouth	Portsmouth OH CSMPC	Columbus P&DC	Columbus	OH
OH	Dayton	Dayton P&DC	Columbus P&DC	Columbus	OH
OH	MANSFIELD	Mansfield P&DF	Cleveland P&DC	CLEVELAND	OH
OH	Athens	Athens OH CSMPC	Columbus P&DC	Columbus	OH
OH	Ironton	Ironton OH CSMPC	Columbus P&DC	Columbus	OH
OH	Steubenville	Steubenville CSMPC	Pittsburgh P&DC	Pittsburgh	PA
OH	Canton	Canton OH P&DF	Akron OH P&DC	Akron	OH
OH	Wooster	Wooster OH CSMPC	Akron OH P&DC	Akron	OH
OH	Youngstown	Youngstown P&DF	Cleveland P&DC	Cleveland	OH
OH	Cambridge	Cambridge OH CSMPC	Columbus P&DC	Columbus	OH
OH	Chillicothe	Chillicothe OH CSMPC	Columbus P&DC	Columbus	OH
OH	Coshocton	Coshocton OH CSMPC	Columbus P&DC	Columbus	OH
OH	Massillon	Massillon OH CSMPC	Akron OH P&DC	Akron	OH
OK	Mcalester	Mcalester CSMPC	Oklahoma City P&DC	Oklahoma City	OK
PA	New Castle	New Castle P&DF	Pittsburgh P&DC	Pittsburgh	PA
PA	Reading	Reading P&DF	Harrisburg P&DC	Harrisburg	PA
PA	Southeastern	Southeastern P&DC	Philadelphia P&DC	Philadelphia	PA
PA	DUNCANVILLE	Altoona P&DF	Johnstown P&DF	JOHNSTOWN	PA
PA	Williamsport	Williamsport PA P&DF	Harrisburg P&DC	Harrisburg	PA
PA	Scranton	Scranton PA P&DF	Lehigh Valley PA P&DC	Lehigh Valley	PA
PA	Washington	Washington CSMPC	Pittsburgh P&DC	Pittsburgh	PA
PA	Horsham	Horsham PA DDC	Philadelphia P&DC	Philadelphia	PA
PA	Pittsburgh	Pittsburgh PA Building II Annex	Pittsburgh P&DC	Pittsburgh	PA
PA	Lancaster	Lancaster P&DF	Harrisburg P&DC	Harrisburg	PA
PA	Youngwood	Greensburg CSMPC	Pittsburgh P&DC	Pittsburgh	PA
SC	Florence	Florence P&DF	Columbia P&DC	Columbia	SC
SD	ABERDEEN	Aberdeen CSMPC	Dakota Central P&DF	HURON	SD
SD	PIERRE	Pierre CSMPC	Dakota Central P&DF	HURON	SD
TN	Clinton	Clinton TN STC	N/A		0
TN	Jackson	Jackson TN P&DF	Memphis TN P&DC	Memphis	TN
TN	Memphis	Jet Cove Annex	Memphis TN P&DC	Memphis	TN
TX	Lufkin	Lufkin P&DF	Beaumont P&DF	Beaumont	TX
TX	Fort Worth	Fort Worth P&DC	North Texas P&DC	Coppell	TX
TX	Bryan	Bryan P&DF	Austin P&DC	Austin	TX
TX	Waco	Waco TX Annex	Austin P&DC	Austin	TX
VA	Lynchburg	Lynchburg P&DF	Roanoke P&DC	Roanoke	VA
WA	Everett	Everett P&DF	Seattle P&DC	Seattle	WA

4
* Pre-Decisional and subject to modification based upon legislative service standard requirements and further analysis.

Potential to Consolidate*

Study Facility			Gaining Facility(ies)		
State	City	Facility	Gaining Site	City	State
WA	Tumwater	Olympia P&DF	Seattle P&DC	Seattle	WA
WA	Pasco	Pasco P&DF	Spokane P&DC	Spokane	WA
WA	Wenatchee	Wenatchee CSMPC	Spokane P&DC	Spokane	WA
WA	Redmond	Seattle WA East DDC	Seattle P&DC	Seattle	WA
WI	Kenosha	Kenosha WI CSMPC	Milwaukee P&DC	Milwaukee	WI
WI	Portage	Portage WI CSMPC	Madison P&DC	Madison	WI
WI	Oshkosh	Oshkosh P&DF	Green Bay P&DC	Green Bay	WI
WI	Eau Claire	Eau Claire P&DF	Saint Paul P&DC	Saint Paul	MN
WV	Parkersburg	Parkersburg CSMPC	Charleston WV P&DC	Charleston	WV
WV	Petersburg	Petersburg CSMPC	Johnstown P&DF	Johnstown	PA
WV	Wheeling	Wheeling WV P&DF	Pittsburgh P&DC	Pittsburgh	PA
WV	Bluefield	Bluefield CSMPC	Charleston WV P&DC	Charleston	WV
WY	Wheatland	Wheatland CSMPC	Cheyenne P&DC	Cheyenne	WY

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5. The Modified Plan indicates that the percent of First-Class Mail that is delivered overnight will be reduced by 20 percent as a result of phase one of the network consolidation. Please provide workpapers that develop the 20 percent reduction of First-Class Mail eligible for overnight delivery, disaggregated by single-piece and presort First-Class Mail.

RESPONSE

For purposes of the press release, a very simple analysis of Origin-Destination Information System (ODIS) data was conducted to estimate the percentage of First-Class Mail subject to the current overnight standard that would retain an overnight standard if the standard were modified to intra-SCF, assuming a network along the lines of the Phase I network.

The current percentage of First Class Mail overnight was then compared to the proposed and rounded for the purposes of the press release. There has been no detailed analysis completed to break out between single-piece and presort.

Service Standard Volume Distribution¹

	Current	Phase I: Intra-SCF
1	41.6%	34.6%

1: SOURCE: ODIS FY 2010 Volumes

$34.6 \div 41.6 = \text{approx } 83 \text{ percent}$, which was rounded to 80 percent.

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6. The Modified Plan explains that network consolidations will lead to a reduction in workforce of up to 28,000 employees.
- a. Please provide workpapers that demonstrate how the 28,000 employee reduction was calculated, disaggregated between phase one and phase two of the Modified Plan.
- b. Please confirm that this estimate is consistent with the employee reductions assumed at the outset of Docket No. N2012-1.
- c. Please reconcile the 28,000 employee reduction with the revised cost savings estimates provided at the May 9, 2012 hearing.

RESPONSE

- (a) Please see the attached Excel workbook "SavingsEstimate_IntraSCF.xls." The workbook contains Phase II high-level expected workforce reductions. This analysis was completed using preliminary estimates complement data from September 2011. The proposed complement was calculated using high level assumptions about the workload at the gaining site and productivities provided by subject matter experts. The 28,000 estimate can be attained by summing cells E:467 – H:467 on the worksheet entitled, "Required Complement by Node". On the "Costing" worksheet, cell D:38 illustrates how the Phase I estimate was derived. The Phase I complement impact was approximated by dividing the estimated percentage savings from Phase I of the Total Phase I/Phase II savings. This percentage was then applied to the 28,000 to generate the Phase I estimate of 13,000.
- (b-c) The FTE savings for clerks, mail handlers, maintenance and vehicle driver craft employees based on witness Bradley's direct testimony, USPS-T-10, is 23,153 as per the spreadsheet NPMHU-USPS-T10-12.Revised.3.15.xls, which was

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Revised June 7, 2012

RESPONSE to Question 6 (continued)

attached to the Revised Response of USPS Witness Smith to NPMHU/USPS-T10-12 Redirected from Witness Bradley (March 16, 2012). Based on that spreadsheet, the attached spreadsheet, "Total.FTE.Calc.CIR1.Q6.Direct.T.xls" reflects the total savings associated with witness Bradley's direct testimony, USPS-T-10, by adding FTE reductions for carriers (567.0) and managers/supervisors (2,168.3) for a total of 25,888. The FTE savings based on witness Bradley's supplemental testimony (USPS-ST-4) is 22,737. This is provided in the additional attached spreadsheet, "Total.FTE.Calc.CIR1.Q6.Supp.T.xls", which is the same as the spreadsheet for the Direct Testimony FTE calculation, except that it is updated with Supplemental Testimony inputs on savings.

Because senior postal management regards the savings estimates filed in this case to be conservative, it has established an operating goal moving forward of exceeding that number of FTE reductions as it achieves full-up implementation. Postal management's operating goal for the full-up environment translates into about a reduction of about 28,000 FTEs. Thus, the FTE savings estimates cited above is not identical to, but is within the "up to 28,000" range reflected in the press release.

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7. Please provide the following information for (1) the portion of phase one that will occur during the summer, (2) the portion of phase one that will be initiated in January or February 2013, and (3) phase two of the network consolidation plan outlined in the Modified Plan.
 - a. The future originating service standards for market dominant products by 3-digit ZIP Code pairs. See, e.g., Library Reference USPS-LR-N2012-1/8.
 - b. The 3-digit customer assignments for each mail processing facility. See, e.g., Library Reference USPS-LR-N2012-1/16.

RESPONSE

(a-b) The Postal Service is currently developing the origin-destination 3-digit ZIP Code assignments implied by the summer 2012 interim service standards and will submit them in the form of a Library Reference as expeditiously as possible in June 2012 in a format similar to USPS Library Reference N2012-1/8.

The Postal Service also anticipates publishing L201 and L005 label lists in a Library Reference in June 2012 that will reflect facility-specific 3-digit ZIP Code assignments (associated with the aforementioned interim service standards) in a format similar to USPS Library Reference N2012-1/16.

It currently is not known how far in advance of the January/February 2013 operational changes that the 2013 updates will be completed and published.

That is also the case for Phase II implementation.

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8. In his testimony, witness Williams states: "The Postal Service has determined that, in order for the planned mail processing consolidations to generate significant cost savings, changes... must be made that necessitate changes to existing service standards." USPS-T-1 at 10. Witness Williams outlined the process through which the Postal Service determined what changes to the mail processing and transportation network were necessary to maximize capacity utilization. This process was also used to ensure the proposed network would be able to meet the revised service standards. These steps included the LogicNet model described by witness Rosenberg (USPS-T-3), and the AMP process described by witness Neri (USPS-T-4), as well as an overall network floor space capacity model described in Library Reference USPS-LR-N2012-1/47.

The Modified Plan indicates proposed changes will occur in two phases. In phase one, 140 facilities will be consolidated and the overnight service standard will remain for mail that is not affected by the consolidation. In phase two, an additional 89 facilities will be consolidated and the overnight service standard will be significantly curtailed.

- a. Concerning the proposed phase one network under the Modified Plan:
- i. Please describe the process used to determine that the phase one network, which retains most of the overnight service standard for First-Class Mail, is a feasible and functional network.
 - ii. Did the Postal Service use network modeling tools, such as LogicNet, for the determination that the phase one network is feasible and functional? Please describe that process.
 - iii. Were the February 23, 2012 AMP results used in this determination?
 - iv. Library Reference USPS-LR-N2012-1/47 tab "Process Steps of Interest" cells N53 to P54 detail that the current mail processing network currently has a floor space utilization of 84 percent, and opening the operating window by 2 hours would open enough floor space for the Postal Service to consolidate 115 facilities from the network. Was this analysis used in the determination that the phase one network is feasible?
 - v. What is the expected mail processing capacity utilization rate?
 - vi. Please provide all workpapers used to determine the parameters of the phase one network (e.g., facilities, customer assignments, transportation links, etc.). If the workpapers used to develop this determination are already in the Docket No. N2012-1 record, please explain how these documents apply to phase one.
- b. Concerning the proposed phase two network under the Modified Plan, please discuss how the differences between the phase one network and the phase two network necessitate the elimination of the overnight service standard.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROSENBERG
TO COMMISSION INFORMATION REQUEST NO. 1**

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RESPONSE to Question 8

- (a)(i) Today's network is designed to provide intra-SCF overnight First-Class Mail service. The Phase I network will be comprised of facilities already capable of providing intra-SCF overnight First-Class Mail service. The Phase I network reflects a judgment reached by Headquarters after consultations with Area and District operations and transportation experts to determine a subset of feasible consolidations that could permit the preservation of intra-SCF overnight First-Class Mail service. Additional review may lead to adjustments to ensure that Phase I operations support applicable service standards.
- (ii) No.
- (iii) The AMP results were used to the extent that they identify the network facilities that are possible to consolidate under the relaxed service standards under the final rule. The interim rule contains a subset of these facilities.
- (iv) No. The Library Reference in question refers to the model that was created in 2009 as a starting point for analysis in determining that the operating window length has an impact on the required square footage.
- (v) The Postal Service has yet to perform analysis that would yield such information.
- (vi) See the response to subpart (a)(i).
- (b) Phase II involves expansion of the DPS operating window up to 20 hours to pursue the full-up savings that will bring the postal costs more in line with

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROSENBERG
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RESPONSE to Question 8 (continued)

declining volumes and revenues, as described in USPS-T-4. The February 2014 service standard changes facilitate pursuit of these objectives.

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9. An attribute of the Modified Plan is that the Postal Service will have the opportunity to modify, further delay, or cancel phase two prior to its implementation in February 2014.
- a. What data will the Postal Service collect to allow it to evaluate the actual effect of phase one implementation on:
 - i. Service performance in the service areas where consolidation takes place.
 - ii. Customer mailing practices in the service areas where consolidation takes place.
 - iii. Customer satisfaction in service areas where consolidation takes place.
 - iv. Costs for labor, transportation, and plant and equipment in service areas where consolidation takes place as compared with estimates developed in the February 23, 2012 AMP studies.
 - b. Discuss the factors that will be considered in deciding whether to retain phase one service standards or to proceed with implementation of phase two thereby eliminating the overnight service standard for First-Class Mail.

RESPONSE

- (a)(i) The Postal Service constantly monitors service performance and customer satisfaction for market-dominant products through a combination of measurement systems that generate reports periodically filed with the Commission. It should be emphasized that service performance measurement monitoring is a fundamental aspect of day-to-day postal management and takes place throughout the network irrespective of whether a service area has been directly involved in mail processing operational consolidation activity.

I am informed that the Postal Service will be generating service measurement reports that focus on monitoring service for consolidation impacted service areas. Irrespective of whether it is able to isolate and measure the "actual effect" of

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROSENBERG
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RESPONSE to Question 9 (continued)

Phase I on service performance, the Postal Service will continue to evaluate service during Phase I against applicable service standards, operational targets, and the goal of continuous improvement. Management at every level will be expected to seek solutions to service performance and customer satisfaction issues that arise during Phase I, irrespective of whether it is possible or reasonable to attribute those issues to Phase I implementation.

- (ii) I am informed that most direct interaction with retail postal customers takes place through retail units unaffected by implementation of either phase of the initiative under review in this docket. Accordingly, irrespective of any other monitoring of retail activity, the Postal Service has not developed any plans for specifically isolating and measuring the impact of the implementation of Phase I on retail customer mailing practices. I also am informed that District and Area Postal Service managers presently monitor bulk mailing practices at Business Mail Entry Units in their service areas on a routine basis to determine if operational adjustments are necessary. It is expected that they will do so in the future, irrespective of the degree of local consolidation activity, and make adjustments consistent with applicable operating parameters.

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RESPONSE to Question 9 (continued)

- (iii) See the response to part (a)(i).
- (iv) As witness Neri (USPS-T-4) has explained, the Area Mail Processing (AMP) guidelines in USPS Handbook PO-408 establish a process of post-implementation review (PIR) for operational consolidations that are subject to the AMP process. I am informed that examples of numerous PIR studies are reflected in USPS Library Reference N2012-1/NP12 and that witness Neri's implementation team will continue to generate future PIR analysis for the February 23, 2012 consolidation decisions where required by the PO-408.
- (b) I am informed that any decision by senior postal management regarding "whether to retain phase one service standards or to proceed with implementation of phase two" will be influenced by whether a legislative enactment prohibits the Postal Service from implementing Phase II. The Postal Service also will review the advisory opinion issued in this case.

1 CHAIRMAN GOLDWAY: This brings us to oral
2 questioning, and I wanted to comment that in the
3 course of the questioning we will be touching on a
4 wide variety of topics today.

5 It may be that a Commissioner or a
6 participant will ask a question that you cannot fully
7 answer this morning. If that's true, we will review
8 the transcript as soon as it is available, and if
9 there is some area where an additional response is
10 necessary we will promptly issue a written request for
11 that information. However, it is our sincere hope
12 that your responses will be sufficiently complete to
13 allow us to continue to adhere to the existing
14 procedural schedule.

15 We'll begin by allowing participants to ask
16 questions first and then this will be followed by
17 questions from the bench. As a reminder, questions
18 will be limited solely to obtaining explanations or
19 descriptions of the Postal Service's modified plan,
20 along with comparisons to the Postal Service's
21 proposals and supporting information previously
22 provided in Docket No. N2012-1. Is there any
23 participant here today wishing to cross-examine
24 Witness Rosenberg?

25 MR. ANDERSON: Darryl Anderson for the APWU.

1 MS. KELLER: Kathleen Keller for the
2 National Postal Mail Handlers Union.

3 MS. FERGUSON: Tracy Ferguson for the Public
4 Representative.

5 CHAIRMAN GOLDWAY: Any others?

6 (No response.)

7 CHAIRMAN GOLDWAY: Okay. We have three
8 witnesses (sic). I'm just checking my notes here.
9 Okay. I believe we should begin alphabetically with
10 the APWU so, Mr. Anderson, will you identify yourself
11 once again for the record and begin?

12 MR. ANDERSON: Thank you, Madam Chairman.
13 Darryl Anderson for the APWU.

14 CROSS-EXAMINATION

15 BY MR. ANDERSON:

16 Q Good morning, Ms. Rosenberg.

17 A Good morning.

18 Q Ms. Rosenberg, in your response to the
19 Commission's questions, as I understand it you have
20 stated that the savings numbers identified in the
21 press release that was the subject of the Commission's
22 inquiry were based on 2010 data. Is that correct?

23 A That's correct.

24 Q And so by using the 2010 baseline data I'd
25 just like you to confirm that you were using

1 approximately 20 facilities that had been closed
2 before this initiative was begun to be implemented.
3 Isn't that correct?

4 A I would have to check, but I believe the
5 savings were based on what was provided in the
6 original testimony, and I believe the facilities that
7 had already been removed were removed from Witness
8 Bradley and Witness Smith's analysis, but I'd have to
9 check that to confirm.

10 Q So you're unaware whether the savings
11 estimates that you gave included savings based upon
12 closing those facilities?

13 A That's correct. It would be subject to
14 check.

15 Q Let me ask it more specifically if I can.
16 It's my understanding that approximately 20 -- maybe a
17 few more than 20 -- of the facilities in Dr. Bradley's
18 list were consolidated as a result of Postal Service
19 cost cutting efforts in fiscal 2010 and fiscal 2011
20 before this initiative began.

21 A So if they're included in his list then
22 you're correct. They are included in the savings
23 opportunity here as well.

24 Q Thank you. On February 23, 2012, the Postal
25 Service published a list of AMPs, including a list of

1 facilities that would not be closed as a result of the
2 AMP process. This led the Postal Service to revise
3 its testimony concerning savings and reduced the
4 estimated savings. Are you aware of that?

5 A That's correct.

6 Q But as I understand your answers to the
7 Commission's questions about savings, those estimated
8 savings in your answers assume that all the facilities
9 the Postal Service decided not to close will be
10 closed. Is that correct?

11 A So I should clarify. The capture rate of
12 the savings was based on the full-up prior to
13 February 23, but again because it is a high level
14 estimate and there is a belief that the numbers that
15 were casted were conservative that again it's a high
16 level estimate just giving an overarching target for
17 the Postal Service.

18 Q All right. So the answer to my question is
19 yes, it included the facilities that --

20 A Yes. That's correct. It was based on prior
21 to February 23.

22 Q Thank you. I would just remind you, Ms.
23 Rosenberg, that counsel for the Postal Service will
24 have an opportunity to confer with you after the
25 Intervenor finish their questions, and if you feel

1 the need to clarify -- I mean, of course you can
2 always clarify your answers as you go, but rather than
3 adding arguments if you would just wait I'd appreciate
4 it.

5 I'd like to actually bring this to a fairly
6 fine point if I may. Again not to argue with you, but
7 if you would take a look at Question and Answer 1, the
8 question from the Commission? I think you've just
9 acknowledged that at least with regard to the
10 facilities that closed before the initiative began and
11 possibly with regard to this facilities that will
12 remain open as a result of AMPs, the estimate provided
13 in the press release is not accurate. The savings
14 estimate is not accurate. Is that a fair statement?

15 A I would disagree.

16 Q Okay. Now, with regard to productivity
17 adjustments, isn't it the case that the productivity
18 savings estimated in the original consolidation plan
19 came from changed operations? For example, the change
20 in the DPS operating window. Is that your
21 understanding?

22 A That is a portion of where the productivity
23 improvements came from.

24 Q And so could I refer you to Question 8,
25 please, and particularly 8B? There was a reference

1 there to the proposed Phase 2 network plan. Have you
2 caught up with me here?

3 A Uh-huh.

4 Q Okay. And I think you explained that Phase
5 2 involves expansion of the DPS operating window for
6 up to 20 hours to pursue the full-up savings. Now, I
7 don't see anywhere in any of the explanations that you
8 or the Postal Service have provided with regard to the
9 interim plan of Phase 1 any analogous operational
10 changes that would explain changes. What am I
11 missing, if anything?

12 A So I think what you're kind of alluding to
13 is today there's plans that have over seven overnight
14 partners. In order to switch, flip over to DPS second
15 pass, you need to wait for all of that mail to come in
16 from all of those trading partners.

17 In an intra-SCF only overnight service
18 standard you have total control of the mail that is
19 within your buildings and that's all that needs to be
20 delivered next day. The trips that are coming from
21 the other plants will have arrived earlier and be in
22 the plant already.

23 So there are productivity improvements
24 because you're still not waiting for your trading
25 partners' mail to come in late at night to finish

1 their outgoing processing.

2 Q So are you saying that in Phase 1 there will
3 be operational changes?

4 A That is correct.

5 Q And the operational change you are focusing
6 on is the change of doing what? What's the change?

7 A So I think basically what you can do is you
8 could potentially start your DPS earlier and flip over
9 to your second pass earlier, which may allow you to
10 either end your DPS earlier or add more zones at our
11 end on the DPS scheme today.

12 Q And I think you're alluding to an
13 operational change that will affect delivery
14 standards. Is that what you're saying? Would you be
15 more explicit?

16 A Can you clarify your question? Sorry.

17 Q Yes. I'm asking you very specifically to
18 tell the Commission what operational change is part of
19 the interim plan, Phase 1, that could justify an
20 assumption of productivity increases.

21 And so I'd like you to point out an
22 operational change that the Postal Service is going to
23 instruct its managers to make in order to save -- to
24 increase productivity during Phase 1.

25 Q So I think what you're talking to is again

1 to understand again, which I had discussed when I
2 think I originally testified, you've got two passes in
3 order to do your delivery point sequencing.

4 The first pass allows you to sort your mail
5 for every delivery point. When you do the second pass
6 you referred the volume in and it sorts it by carrier
7 and delivery point. So you cannot flip over to the
8 second pass of DPS until the first pass is complete.

9 So in today's environment, and you have your
10 trading partners that might be running their outgoing
11 mail. It gets dispatched from the facility, and it
12 needs to wait until the destinating facility that's
13 doing the final sort for delivery will come in late at
14 night, so you cannot flip over your DPS second pass.

15 So in certain cases, certain DBCS which
16 actually do the delivery point sequencing can only
17 have one scheme on them. So in tomorrow's environment
18 you can potentially have two sets of zones on a
19 machine because you could finish earlier and actually
20 what they call double bank the machine and have
21 another set because you'll be able to flip over the
22 volume earlier because in tomorrow's environment your
23 network mail will be in the building already prior to
24 you finishing your own outgoing sortation.

25 So the only thing that you're waiting on to

1 be able to finish, to be able to flip over to your
2 second pass, is to do your own outgoing, and that mail
3 could start to go through DPS first pass as it comes
4 through and then flip over. Once you complete that
5 you can flip over to your second pass.

6 Q And is it your testimony that that change is
7 going to be made in Phase 1?

8 A Yes. That's correct. You won't be able to
9 go up to 20 hours, but --

10 Q Okay. And one of the consequences of that,
11 as I understand it, is that -- correct me if I'm wrong
12 -- in Phase 1 you're not going to get inter-SCF
13 overnight. Is that correct?

14 A That's correct. The only overnight service
15 would be within the building.

16 Q And so you're pointing to that as an
17 operational change that would indicate a productivity
18 improvement. Is that correct?

19 A That's correct.

20 Q Is there anything else?

21 A There are other productivity improvements.
22 I'd have to take a step back and think about them, but
23 there again one of the things is in today's
24 environment when they're doing DPS, because it's close
25 to the end of the window and they will often send

1 multiple DPS trucks out of the plant to the delivery
2 units so that it gets there.

3 In tomorrow's environment, even in this
4 interim phase, you probably don't need all of those
5 duplicate DPS unless you have a full truck or you
6 dispatch a value truck. So again, all of the work
7 that's associated with that would also be able to be
8 consolidated.

9 Q These again are all related to the change in
10 service standard of not doing overnight deliveries in
11 an inter-SCF basis, correct?

12 A That's correct.

13 Q Then it's my understanding that that change
14 is going to result in approximately a 20 percent
15 reduction in the amount of first class mail that's
16 delivered overnight as I understand it. There's a
17 table in your testimony that shows that.

18 A Yes, and that was based off of estimates.

19 Q All right. But yet you're using a 35
20 percent capture rate for productivity gains due to
21 Phase 1. That seems inconsistent. I guess would it
22 be fair to say that 15 percent of what you're
23 estimating as a productivity gain would be based on
24 subjective management judgment as opposed to some
25 specific operational change?

1 A To be honest with you, I'd have to think
2 about that to give you a good answer. It's a good
3 question. I'd have to think about it.

4 Q Well, I understand your testimony that your
5 35 percent capture rate was based in part upon
6 consultations with subject matter experts.

7 A That's correct.

8 Q Could you identify the subject matter
9 experts that you consulted about that?

10 A I spoke with the manager of Processing
11 Operations and other postal management, or my manager
12 at the time did.

13 Q I'm sorry. You spoke to the manager of
14 Processing Operations?

15 A Processing Operations, which was Witness
16 Neri was one of the people that we spoke to at the
17 time, and my manager at the time was probably also
18 involved. There may have been other people that they
19 spoke to. I was not the one that specifically
20 determined the final adjustment rate.

21 Q All right. So you did not obtain the 35
22 percent number from Mr. Neri, but it was something of
23 a process more complicated than that?

24 A I think it was a collaborative effort of
25 people discussing what they believe they can capture

1 under that environment.

2 Q And who was your manager that also talked to
3 Mr. Neri?

4 A It would have been Luke Grossman.

5 Q And do you recall who else was involved in
6 those consultations?

7 A I was not part of all of those
8 consultations, so those are the people. I can confirm
9 that my manager would have been involved, but again
10 I'm actually probably conjecturing that Witness Neri
11 was involved.

12 Q Luke Grossman? Is it Mr. Grossman?

13 A Yes.

14 Q Mr. Grossman is the one who advised you to
15 use the 35 percent number. Is that correct?

16 A Yes. We worked with our group and
17 collaborated.

18 Q I'm sorry?

19 A Yes. He was the manager of our group.

20 Q And he's the one who informed you that you
21 were to use the 35 percent number?

22 A Yes.

23 Q I understand that as a result of this
24 decision there's going to be a change or a reduction
25 in the delivery standard for standard mail. Is that

1 your understanding? The delivery window, the service
2 window, is going to be changed.

3 MR. TIDWELL: Counsel, can you clarify
4 delivery window?

5 MR. ANDERSON: The service standards for
6 standard mail.

7 THE WITNESS: I can't speak to that right
8 now. I would have to check if that's something that
9 we could do subject to check.

10 MR. ANDERSON: Yes.

11 BY MR. ANDERSON:

12 Q I think the answer to my followup question
13 is, and it almost doesn't need to be asked, but I
14 intended to ask you whether you had provided any
15 evidence in response to the Commission's inquiries to
16 support or explain the change in standards for
17 delivery of standard mail, but since you're unaware of
18 that the answer would be no?

19 A Yes. I would have to subject to, yes.

20 Q And I wanted to ask you the same question
21 with regard to periodical mail. Would the question
22 and answer be the same on that? You're unaware of
23 changes in periodical mail delivery standards?

24 A No. I know that there's changes to
25 periodical service standards. One, they added an

1 additional day from the DNDC drop to account for what
2 we're process capable of. In addition, there is no
3 more end-to-end overnight periodical service standards
4 from that standpoint.

5 Q Now, to this point have you provided any
6 explanation for that change in periodical mail
7 delivery standards?

8 A I don't believe it was specifically
9 requested or asked for that information.

10 Q The Postal Service hasn't volunteered it
11 either, as far as you know? You only can testify
12 about what you know.

13 A Yes, I know. Exactly. I am not aware from
14 that standpoint other than it being in the *Federal*
15 *Register* itself.

16 MR. ANDERSON: I don't know is always a good
17 answer.

18 CHAIRMAN GOLDWAY: So this is a service
19 standard change that is different from the original
20 proposal for periodicals?

21 THE WITNESS: I'd have to check. I'm not
22 sure. I don't believe it is, but I'd have to check.
23 I can't testify to that.

24 CHAIRMAN GOLDWAY: Okay.

25 MR. ANDERSON: I have no other questions.

1 Thank you very much.

2 THE WITNESS: You're welcome.

3 CHAIRMAN GOLDWAY: Next is the Mail
4 Handlers.

5 MS. KELLER: Good morning. Kathleen Keller
6 for the Mail Handlers Union. I'm sorry, I'm fighting
7 a little bit of a cold here, so if anyone has any
8 trouble hearing me, please let me know and I'll try to
9 croak louder.

10 CROSS-EXAMINATION

11 BY MS. KELLER:

12 Q You were just discussing with counsel for
13 APWU the productivity increases, and my understanding
14 of your testimony is that it's your belief that the
15 interim changes will capture some but not all of the
16 productivity increases that you had originally hoped
17 for with the original proposal, is that correct?

18 A In the response to my questions, yes. We
19 won't be able to capture all of them.

20 Q And it's my understanding that when the
21 calculations were done through the AMP process to
22 determine staffing levels at gaining facilities that
23 the productivity estimates were built into those
24 calculations so that the gaining facility staffing
25 levels were determined based on the mail volume that

1 would be coming into the facility with an adjustment
2 for the anticipated productivity increases. Is that
3 your understanding as well?

4 A That's my understanding, and I would like to
5 clarify. I'm not an expert on the AMP process or the
6 AMP workbooks, but that is my understanding.

7 Q Okay. And understanding that this isn't
8 maybe necessarily your area of expertise but that you
9 are the witness that the Postal Service has proffered
10 this morning to discuss these interim changes we're
11 going to try to muddle along the best we can.

12 Has the Postal Service gone back to look
13 again at those staffing estimates for the gaining
14 facilities to make an adjustment for this interim time
15 period to adjust the staffing levels for the gaining
16 facilities to account for the fact that they will not
17 be achieving all of those hoped-for productivity gains
18 in the interim timeframe?

19 A I don't believe so. In part, and my
20 understanding, is that the end game is still the same
21 plan to go to that full-up network. So, in order to
22 do that, again, on an individual basis based on the
23 consolidations that ultimately they will have to look
24 to make sure that we are staffed appropriately during
25 the interim phrase, there's not a reason necessarily

1 to recast the AMP packages from that standpoint
2 because the end game is still the same. We're just
3 slowing down how we get there. Regardless, we kind of
4 have would have had that implementation phase. We
5 have just broken up that implementation phase into two
6 phases.

7 Q Okay. But it sounds like from what you're
8 saying that the staffing levels reflected in the AMPs
9 for those facilities affected in Phase I will not
10 accurately reflect the staffing needs during this
11 interim period before you achieve the full-up changes,
12 correct?

13 A That's correct. They only reflect the full-
14 up network.

15 Q Okay. Now I want to talk a little bit about
16 equipment and I think this was maybe a little bit more
17 in your bailiwick because I know you were involved in
18 those original modeling efforts.

19 My understanding of the original plan was
20 that with the expansion of the operating window the
21 plan was that you would need fewer machines to process
22 the same volume of mail through DPS, and therefore you
23 could bring in more mail from other facilities and
24 pack more mail I guess is the conclusion, pack more
25 mail into one facility because you would need fewer

1 machines to process the same amount of mail through
2 DPS. Is that an accurate summary of your --

3 A That's correct.

4 Q Okay. Now, with the interim plan where you
5 won't be expanding the operating window to the same
6 degree at least, have you gone back and recalculated
7 what kind of equipment needs you'll need and whether
8 you'll be able to pack that mail into the facility
9 given that you won't be expanding the operating
10 window?

11 A We've only done a high-level assessment.
12 The detailed analysis is being done through the
13 implementation process. So again, by not waiting for
14 mail you can increase through-puts, so they have seen
15 that because you could actually look at facilities
16 today that have no overnight trading partners that
17 tend to have higher through-puts and other
18 productivities in places, especially in DPS, than you
19 do for places that are waiting for that.

20 But there's been no detailed analysis of the
21 equipment sets that will be in Phase I, again because
22 the idea is how do we get to that end game and move
23 our ways towards that.

24 Q Okay. Have you reviewed the testimony
25 offered by Postal -- I'm sorry, the witness for the

1 Commission, Harold Matz?

2 MR. TIDWELL: Madam Chairman, the Postal
3 Service is going to object to this question as outside
4 the scope of the purpose of today's hearing. The
5 witness is not here to rebut or comment on testimony
6 of the Intervenors.

7 MS. KELLER: My question was going to be --
8 if it's beyond the scope of today, that's fine, but to
9 compare -- my understanding of Mr. Matz's testimony
10 was that he had proposed a system in which intra-SCF
11 mail could still retain an overnight delivery service
12 standard, and that seems to me somewhat similar to the
13 interim service standard that the Postal Service is
14 proposing or implementing, and I wanted to get the
15 witness's thoughts on how the Postal Service's interim
16 plan differed from Mr. Matz's proposal.

17 MR. TIDWELL: And, Madam Chairman, Michael
18 Tidwell again for the Postal Service. We would
19 maintain our objection. The Postal Service has an
20 opportunity to cross-examine Witness Matz and to offer
21 surrebuttal testimony should we deem it appropriate at
22 a later stage in this litigation, and it seems
23 inappropriate to compel the Postal Service to offer
24 that testimony here and now.

25 CHAIRMAN GOLDWAY: Counsel is asking a

1 question that I had wanted to ask myself. I'm loathe
2 to object to it. I think can we just allow the
3 counsel to ask whether Ms. Rosenberg and anyone else
4 that she works with has in fact read that testimony
5 and is familiar with it and leave it at that for this
6 moment?

7 MR. TIDWELL: The Postal Service will
8 stipulate that the testimony has been read by a
9 variety of people at headquarters.

10 CHAIRMAN GOLDWAY: Okay. I think we're
11 going to have to go on to another topic.

12 MS. KELLER: Okay.

13 BY MS. KELLER:

14 Q As I read your answer submitted the other
15 day to the Commission's questions, I understand that
16 the savings calculations that you made were based upon
17 a comparison of the square footage of the facilities
18 involved in Phase I to the square footage of the
19 facilities involved in toto, and let me ask a couple
20 questions in followup to that.

21 When you looked at the total square footage
22 of all facilities involved, was that the December 5,
23 2011, proposal or was that the February 23, 2012,
24 proposal? What square footage were you looking at?

25 A The base set of facilities I believe that

1 were included were the 461 which was part of the
2 annual report, and it was prior to the February 23.
3 The analysis was all done prior to the February 23
4 announcement of the AMP decisions, so it had a
5 larger -- it included the ones that were disapproved
6 on February 23, which I think is what you're asking.

7 Q Okay. And I understand that you were just
8 trying to come up with some sort of rough proxy,
9 right, to calculate what proportion of the savings you
10 would capture in this first Phase I round, is that
11 fair to say?

12 A It was to get a high-level target for the
13 organization to try to target to knowing that it
14 wanted to get to the end game.

15 Q Okay. We've seen in this proceeding a lot
16 of different Excel spreadsheets with a lot of
17 different numbers broken down in different ways, and
18 without trying to do the work myself, but I've been
19 assuming that using the data that's been submitted in
20 this Commission you would have been able to do a more
21 tailored breakdown of the savings based upon which
22 facilities are actually going to be affected in Phase
23 I. Is that fair to say?

24 A If appropriate time was given. But as I
25 stated earlier, we don't have the equipment sets of

1 Phase I, so without the -- that's a fundamental
2 portion of where a lot of the cascading savings can be
3 determined. So, to do the detailed analysis, you will
4 require that, you know, that full-up equipment sets
5 that you would need.

6 Q And when will that equipment set analysis be
7 done?

8 A It's being done -- it's on an ongoing basis
9 as we do the implementation plans.

10 MS. KELLER: Okay, thank you. That's all I
11 have at the moment.

12 CHAIRMAN GOLDWAY: I'm just writing a note
13 here.

14 The next participant would be the Public
15 Representative.

16 MS. FERGUSON: Thank you, Madam Chairman.

17 Based on the testimony provided today the
18 Public Representative has no further questions.

19 CHAIRMAN GOLDWAY: Moving very quickly.
20 Okay, I think that the bench has some questions, but
21 we would appreciate a 10-minute break in which to meet
22 ourselves and go over the status of the proceedings to
23 determine how many questions we have and who will be
24 asking them. So I will call a 10-minute break and,
25 well, we'll be back here at 11:00, okay?

1 (Whereupon, a short recess was taken.)

2 CHAIRMAN GOLDWAY: Good morning, ladies and
3 gentlemen. We're resuming our hearing and we'll begin
4 with questions from the bench to Witness Rosenberg,
5 and Commissioner Taub will begin.

6 COMMISSIONER TAUB: Good morning.

7 THE WITNESS: Good morning.

8 COMMISSIONER TAUB: Thank you for taking the
9 time to be here this morning and represent the Postal
10 Service.

11 I think the Chairman outlined in her opening
12 comments the context in which we're here today, which
13 is getting the most up-to-date information on the
14 record before us for the service changes, and my
15 understanding is, as referenced in your answer to the
16 Commission's second question, Library Reference N2012-
17 199, that's the final rule in the *Federal Register*
18 notice, so my understanding is it's part of the answer
19 to that question that's now on the record before us,
20 and I just want to ask a few questions about that
21 final register notice. I'd make a few observations
22 myself though before I do to kind of set up the
23 context of that.

24 Certainly this is the final rule and as we
25 noticed the day before this rule was published,

1 today's hearing really was a consideration of the
2 current plans and requires up-to-date information be
3 made part of the docket in the record before us.
4 Clearly this *Federal Register* notice from my
5 perspective provides that up-to-date information.

6 Would you agree that this is the current
7 most up-to-date information as to where the Postal
8 Service is going and its plans?

9 THE WITNESS: I would agree it outlines the
10 plan.

11 COMMISSIONER TAUB: And in that context, you
12 know, we've had a lot of discussion about numbers
13 savings both in the answers that you've provided to
14 supplement this *Federal Register* notice. There's been
15 some discussion already this morning about the dollar
16 amounts and the savings, also the calculations.

17 Should the Commission when it considers the
18 record before us and renders its opinion be using the
19 numbers and the data that have been provided most
20 recently in the Commission's request, or should we
21 also be incorporating previous numbers and data that
22 was presented before us? What is the most reliable
23 that should be looked at in the record here?

24 THE WITNESS: I would think the supplemental
25 testimony of Witness Smith and Witness Bradley

1 probably gives you the best overview because
2 ultimately the plan, the Postal Service plan is to go
3 to the full-up network, so this Phase I/Phase II
4 approach is just making a slower deliberate plan to
5 get there. So, just in my opinion, I think looking at
6 what Witness Bradley and Witness Smith had testified
7 to in their supplemental testimony is probably the
8 best picture. This is just how do we get there.

9 COMMISSIONER TAUB: Gotcha. In the *Federal*
10 *Register* notice, as we had talked about, you know,
11 this really does outline the most current perspective
12 as to where it's going, and there was some discussion
13 earlier about standard mail, periodicals, package
14 services. I would observe that all of that is
15 detailed at least from the service standards in the
16 market-dominant mail as a final register notice in
17 this and now that this is part of the record that's
18 before us.

19 As I said, I want to ask a few questions on
20 the notice itself. I assume you're familiar with it
21 as it is to some degree the basis or bible upon which
22 the Postal Service is moving forward now.

23 First, I wanted to pick up a theme that the
24 APWU had been asking about, and that's this issue of
25 productivity gains, and in response to Question 3 from

1 the Commission, the Postal Service estimated 35
2 percent of the savings from productivity gains would
3 be captured by Phase I implementation, and there was
4 some discussion earlier about this.

5 A few questions I had on this. What
6 operational data did you consult to determine the
7 current operating window for DPS across the network of
8 six and a half hours? And just to highlight for
9 folks, on 31192 of the *Federal Register* notice, there
10 is the discussion where the Postal Service points out
11 DPS operations generally run for six and a half hours
12 per day, 12:30 a.m. to 7 a.m. Once implementation of
13 Phase 1 is complete, the DPS window will expand to up
14 to 10 hours, from 8 p.m. to 6 a.m., and then once
15 implementation of Phase II is complete, DPS window
16 will expand to up to 16 hours, noon to 4 a.m.

17 So taking that in turn, you know, what
18 operational data did you consult to determine the
19 current operating window for DPS across the network of
20 six and a half hours?

21 THE WITNESS: I'm going to conjecture that
22 it was probably some of the end-of-run data you can
23 see when your machines turn on and your machines turn
24 off, but I'm conjecturing in terms of the exact six
25 and a half hours. And again, I think, similar to what

1 this says is there is not a standardization across all
2 sites, so again, certain assumptions need to be made,
3 but I would imagine it was the end-of-run data.

4 COMMISSIONER TAUB: Okay. Thank you.

5 And then now let's look at Phase I. You
6 know, we're expanding the DPS operating window from
7 six and a half hours to 10 hours. Phase II, as I
8 noted in the notice, we're going up to 16 hours. This
9 means the expansion of the DPS window in Phase I is
10 about 35 percent of the total expansion from the
11 current window to Phase II. Is this the reason you
12 expect a 35 percent gain of total productivity gains
13 from full expansion of the operating window to occur
14 as a result of Phase I, or are we looking at just a
15 coincidence of percentages and numbers there?

16 THE WITNESS: So I can't speak to all of the
17 subject matter expertise of why they finally
18 determined the 35 percent, but I think this is also a
19 good opportunity that even though -- just to point out
20 even though in Phase I there is a reduced amount of
21 consolidation, the change in service standard affects
22 all plants in the network, so I think that's important
23 to note that that's also a part of the reason you're
24 getting productivity gains across the network, not
25 just where you get the consolidations.

1 COMMISSIONER TAUB: Okay.

2 THE WITNESS: But to your question, I can't
3 answer whether that was exactly the reason why they
4 came to that 35 percent.

5 COMMISSIONER TAUB: Okay, thank you. A
6 couple more questions on this.

7 In response to the Commission's question on
8 No. 2, as I noted, you know, this Library Reference in
9 the *Federal Register* notice is highlighted, and this
10 indicates first-class presort mailers will continue to
11 receive overnight delivery after the completion of
12 Phase II. In the Postal Service's original filing an
13 overnight service standard was not available for any
14 first-class mailer. So could you explain what
15 circumstances changed to now allow presort first-class
16 mailers to receive an overnight service standard?

17 THE WITNESS: This is my understanding.
18 Part of it was we had received customer feedback about
19 the plan, and again being able to kind of reevaluate
20 the windows and the opportunity, and again the presort
21 mailers have to properly prepare their mail,
22 containerize it and enter it by a certain time, by
23 looking and being able to further examine the windows,
24 they realized there was the opportunity to be able to
25 make this accommodation, and we're trying to account

1 for the comments and stakeholder feedback we received.
2 That's kind of my understanding of how this evolved.

3 COMMISSIONER TAUB: Okay.

4 CHAIRMAN GOLDWAY: Was there any analysis
5 that there was going to be a change in productivity as
6 a result of maintaining overnight service for presort
7 mailers from the original productivity analysis that
8 we've received?

9 THE WITNESS: So it's a good question.
10 There is no additional analysis done, but the idea is
11 that the presort mailers would get their volume in
12 early enough that it should not inhibit it because
13 part of the productivity -- part of the reason that
14 we'll have lower productivity is we're waiting for
15 mail. So what they were doing is trying to establish
16 those critical entry times such that it would not
17 negatively impact the productivities. So there was no
18 specific analysis done, but by having all of the mail
19 there I think it --

20 CHAIRMAN GOLDWAY: And there is no specific
21 time as to how much shorter the critical entry time is
22 for the mailers? I mean, you can say they should get
23 there earlier, and if you say it's two hours or if you
24 say it's four hours, as you say it's 24 hours, you add
25 a day. So is there any indication in your plans as to

1 how much shorter or how much earlier the presort
2 mailers have to come to the plants in order to save
3 you your productivity?

4 THE WITNESS: I know that there is
5 discussions about that. I'm not an expert on all of
6 the CETs and they were looking to try to minimize the
7 impact to the mailers but recognizing that we did need
8 to move up the CETs in order to do that.

9 COMMISSIONER TAUB: This issue of retaining
10 overnight service, the Postal Service has said in
11 Phase I of the modified plan it's going to retain
12 overnight service for about 80 percent of First-Class
13 Mail that currently receives overnight service. What
14 percentage of overnight service will remain after
15 Phase II is implemented?

16 THE WITNESS: So there was a very high-level
17 analysis done, and again it's always dependent upon
18 mailer behavior from that standpoint and whether
19 mailers choose to properly containerize and enter
20 their mail by a certain CET from that standpoint, and
21 I want to say that number was approximately 15
22 percent, but again that's all subject to change based
23 on mailer behavior, and there's been no analysis done
24 to know how the mailers would actually behave from
25 that standpoint.

1 COMMISSIONER TAUB: Okay.

2 THE WITNESS: And I was not part of that
3 analysis. I've seen the numbers. So I can't really
4 talk to it in detail.

5 COMMISSIONER TAUB: Beyond that. Okay.

6 One more question I have for you. This is a
7 little bit in the weeds on the *Federal Register*
8 notice. Do you have that before you?

9 THE WITNESS: Yes, I do.

10 COMMISSIONER TAUB: In reading through it,
11 and I just want to get a sense of what the Postal
12 Service may be talking about. There's 31192, I'm
13 looking at, you know, the original printing. I think
14 that is how it appears in our Library Reference as
15 well. On the very bottom of 31192, the paragraph
16 begins, "The Postal Service believes that its cost
17 savings estimates for network rationalization are
18 generally speaking somewhat conservative, and it is
19 confident that it can achieve," and then it continues
20 over to the next page, "the savings."

21 There's a footnote there, and if you go to
22 the footnote, it says, "One reason for the estimate's
23 conservatism is that the underlying calculations hew
24 to PRC methodologies, some of which incorporate
25 assumptions that are in the Postal Service's view

1 unrealistic." Could you give a sense to the extent
2 you can what assumptions the Postal Service is
3 referring to there and what methodologies?

4 THE WITNESS: To be honest, I can't talk to
5 what that is actually alluding to.

6 COMMISSIONER TAUB: Okay. I figured --

7 THE WITNESS: Yes.

8 COMMISSIONER TAUB: -- since you're here and
9 we're talking about the bible, as I said and what
10 we're doing I would ask that.

11 One last question. I know this is one that
12 particularly Commissioner Langley and I were
13 discussing, and I know she will likely have some
14 further questions in this area. But from a more
15 50,000 foot turn to the issue of the AMPs. Is it a
16 correct understanding that the AMP studies were
17 performed under the assumption that the overnight
18 service standard would be removed, permitting longer
19 operating windows?

20 THE WITNESS: The AMP studies were done
21 based on a no overnight service standard from end to
22 end.

23 COMMISSIONER TAUB: Okay.

24 THE WITNESS: That's correct.

25 COMMISSIONER TAUB: So that raises the

1 question then of using these AMPs that are done under
2 that assumption in an approach now in Phase I where
3 that standard will still be in place.

4 THE WITNESS: So my understanding is again
5 the organization wants to get to the end game, so this
6 Phase I versus Phase II is just how we are getting to
7 that ultimate end game, and what the AMPs are
8 representing is that full consolidation that we would
9 have in that full-up network.

10 So this interim phase is only peeling back
11 from that initial plan. It's how do we get there, how
12 do we hopscotch to that final. So you can't take the
13 AMP savings and say next year if we're only in the
14 interim phase we're going to save these numbers, but
15 ultimately in the end game those should be accurate.

16 COMMISSIONER TAUB: Do you have a sense of
17 when the postimplementation reviews will be done then?
18 Will they be done -- you know, will it wait until that
19 full -- you know, okay, it was supposed to be done at
20 this state, we've proceeded out, but we'll wait until
21 that date because that's how the AMP was -- the
22 assumption that went into it, or will it be, hey,
23 we'll do the postimplementation review based on, you
24 know, a standard timetable regardless of whether we
25 hit this?

1 THE WITNESS: To be honest, I'm not exactly
2 sure. I haven't been part of the discussions of when
3 the postimplementation review is, but I would imagine
4 it would be when the full-up consolidation happened,
5 but I'm making an assumption there.

6 COMMISSIONER TAUB: That's fair. Thank you
7 very much. Thank you, Madam Chair.

8 CHAIRMAN GOLDWAY: Maybe Vice Chairman
9 Langley would like to proceed since she had some
10 questions in that area as well.

11 VICE CHAIRMAN LANGLEY: Yes. Thank you so
12 much. I do want to thank you for your responses
13 today. You've been very knowledgeable and very
14 forthcoming. And following up with Commissioner Taub,
15 first just a general question about the AMP process.
16 Are you still using the AMP process to consolidate
17 plants in Phase I, or is it just for Phase II?

18 THE WITNESS: It's a good question. Again,
19 there is going to be no new AMPs to show Phase I
20 because the whole notion is this is kind of part of
21 our implementation plan to get to that end game of
22 Phase II.

23 VICE CHAIRMAN LANGLEY: So, as you responded
24 to Commissioner Taub, it represents the full-up
25 network?

1 THE WITNESS: That's correct.

2 VICE CHAIRMAN LANGLEY: So that's the
3 entirety. You don't have to separate them out.

4 THE WITNESS: That's correct. I believe in
5 the past there has been experiences where they've
6 approved full AMPs and they have done the originating
7 consolidation separate from the destinating in a
8 phased plan just based on when they could get the
9 equipment moved.

10 VICE CHAIRMAN LANGLEY: Okay. Then let me
11 ask you, what process was used in determining that the
12 gaining sites could handle the additional workload
13 that they would bear after Phase I without a change in
14 service standard?

15 THE WITNESS: I'm just going to clarify to
16 make sure I understand the question. So basically
17 it's under the Phase I scenario where you might have
18 some consolidations, but there's still that intra-SCF
19 overnight responsibility?

20 VICE CHAIRMAN LANGLEY: Right.

21 THE WITNESS: Okay. So a high-level
22 assessment was looked at, one, recognizing that in a
23 no overnight scenario ZIP codes could actually travel
24 a lot further to get to those plants, so there was a
25 recognition that, one, that service area had to be

1 limited. So, as you peeled back, we looked at places
2 where the ZIP codes you were trying to serve were too
3 far and you could no longer make an operating plan
4 that would support that intra-SCF.

5 Currently in today's environment, assuming
6 that the infrastructure stays the same, we support
7 that overnight service area today plus some in a lot
8 of cases. So really the interim environment in, and I
9 can't say what percentage of the facilities it may be,
10 what they do today or maybe a little less. There are
11 a couple places where you might have a consolidation
12 that it might have added a little more, but for the
13 most part it's less than what they're doing today.

14 VICE CHAIRMAN LANGLEY: Okay. I understand
15 that. Could you also explain why the aggregate
16 savings are greater than the aggregate savings
17 estimated in the AMPs, you know, even though the
18 operating windows are going to be shorter than the
19 AMPs assumed initially?

20 THE WITNESS: And so, and again I'm not an
21 expert on all of the details there, but I do know that
22 the AMPs are specific to the actual facility and that
23 facility consolidation. There are other network
24 benefits that we can reap that are not necessarily
25 captured from the AMP when you collectively look at

1 all of the AMPs, but I can't properly provide much
2 more detail to that from that notion.

3 CHAIRMAN GOLDWAY: Can you give us an
4 example of what those other network benefits are?

5 THE WITNESS: So I guess there's two pieces
6 there, two pieces. One of the things I think that
7 it's important to recognize in the intra-SCF
8 environment that is a change is the two-day rule for
9 First-Class Mail is a six-hour drive time from OPDC to
10 ADC. Today that two-hour drive time also is
11 approximately 12 hours, so we have a lot of
12 opportunity to consolidate some trucks that before had
13 to go direct because in order to make their critical
14 entry time to the downstream facility had to be point
15 to point where now we have a little bit more slack in
16 our network to be able to do consolidation, so that's
17 one of the reasons why you'll be able to see some
18 other greater transportation savings, especially in
19 this interim stage.

20 And then from the AMP perspective, again,
21 which that was not included, that's one example that
22 wouldn't have been included in those packages because
23 that change was made I believe after the AMP
24 approvals, so I think that that's one of the big
25 savings opportunities that we would get from there.

1 VICE CHAIRMAN LANGLEY: I appreciate the
2 responses to my question and to the Chairman's
3 question because it actually lends itself into asking
4 you a question about your responses to Question 1
5 where you note that the implementation plan is
6 expected to evolve as numerous facilities' specific
7 details are refined and finalized. So you just gave
8 me one example of how a part could change. Can you
9 identify a couple other areas where there may be
10 changes as things evolve and move forward?

11 THE WITNESS: And one of the things that
12 will evolve as we take a look at things is I know that
13 the organization is committed to making sure that we
14 remain all levels of service that we have but also
15 would like to be aggressive with the opportunities.

16 In order to do certain consolidations,
17 certain equipment moves and cascading events need to
18 happen, so it is possible to hopscotch to move the
19 volume to free up a piece of equipment to move to
20 another location and then move the volume along, the
21 plan to get us to the same end game. So there's
22 potential possibilities to look at those.

23 And then other pieces that are external
24 factors are mailer behavior. We've done some
25 research, but we don't know exactly how that's going

1 to happen, other economic and external factors that
2 can change our volume and volume distribution. If a
3 new mailer starts coming to a different location and
4 all of a sudden there's a tremendous amount of volume
5 in that location, maybe that's something we need to
6 reconsider in terms of those opportunities.

7 VICE CHAIRMAN LANGLEY: When you mentioned
8 mailer behavior, could that include either the
9 establishment or reestablishment of a hub at a
10 particular area, or is that too pointed?

11 THE WITNESS: Hubs are not my expertise.

12 VICE CHAIRMAN LANGLEY: Okay.

13 THE WITNESS: So, from that standpoint, it
14 may be something that can be considered if it makes
15 economic sense. The organization I think wants to
16 make the best decisions from that standpoint, the
17 cost-effective decisions, but other than that, I don't
18 have a tremendous amount of expertise on that.

19 VICE CHAIRMAN LANGLEY: Okay, thank you.

20 CHAIRMAN GOLDWAY: One of the questions that
21 I have touches on your comment about being flexible to
22 respond to mailer behavior. In the proposals that you
23 sent forward for this interim plan, there doesn't seem
24 to be any indication about volume declines. In the
25 full-up proposals that we've seen, the Service

1 estimates that there would be \$500 million in revenue
2 decline at the end of the first year. And if there
3 isn't any volume -- I'll first ask, are you assuming
4 that there is no volume decline then in this first
5 Phase I?

6 THE WITNESS: In the savings estimates we
7 don't have that assumption, but I think there is
8 recognition on the organization that there will be
9 volume declines. But that's a good question because
10 these networks make us more nimble to adjust to those
11 volume declines than we are now. Keeping or
12 maintaining our current infrastructure with declining
13 volume just exacerbates the current problem that we
14 have in our network.

15 So there is no specific cost savings to your
16 point that we have not accounted for the volume loss
17 because there has been no research to my understanding
18 done to what that volume loss would be during that
19 interim phase.

20 COMMISSIONER ACTON: But you had provided
21 estimations for the previous proposal.

22 CHAIRMAN GOLDWAY: Yes.

23 THE WITNESS: Yes. To my understanding,
24 from the organization's perspective, under the full-up
25 Phase I/Phase II network that we do believe that we

1 will lose that 499 I think it was million dollar I
2 think was the estimate or \$500 million estimate. We
3 have never broken it down to how much would happen in
4 Phase I versus what would happen in Phase II, but I
5 think the organization still acknowledges that we're
6 going to have that loss.

7 CHAIRMAN GOLDWAY: So it's not very easy for
8 us or others looking at your plans then to say what
9 the net savings will be in Phase I, is it?

10 THE WITNESS: I think that's correct.

11 CHAIRMAN GOLDWAY: If you haven't done an
12 analysis of revenue, we don't know what the savings
13 will be and it looks like from what you've presented
14 there is no revenue decline. All the revenue decline
15 is in Phase II, and since the savings in Phase II is
16 only about \$900 million, and you take away \$500
17 million, you don't get much savings in Phase II the
18 way it's presented here. But you're not aware of any
19 analysis being done at the moment about volume loss at
20 all?

21 THE WITNESS: I'm not aware of any of the
22 analysis other than done for the initial case.

23 VICE CHAIRMAN LANGLEY: Okay. Thank you. I
24 have a couple more questions. You've talked about the
25 need for the Postal Service to move step by step. Can

1 you talk about the process and data analysis the
2 Service will use to ensure that each facility has the
3 capacity needed to process the mail?

4 THE WITNESS: So in terms of through the
5 implementation process as we work through that again,
6 kind of similar to what I had mentioned earlier is in
7 that the plans that -- many of the plans are providing
8 that service today. So, if we cut back, if they could
9 handle it today, they should still also be able to
10 handle that tomorrow. So that's kind of one of the
11 guiding factors, but part of the implementation plan
12 in the project management offices, as implementation
13 happens, the facilities are required to make run plan
14 generators which show their expected workload and what
15 equipment they need based on the new operating plan
16 and the operating parameters to ensure the appropriate
17 equipment is there.

18 Then because we have a self-imposed
19 moratorium that will happen on September 1, what that
20 will allow us to do is tarp equipment that we don't
21 need to use. That will truly help us identify what is
22 that float equipment so that we can move it to the
23 right spot to where it needs to support the future
24 consolidations from that standpoint and that for that
25 reason there is very limited consolidations that are

1 happening in the summer because we recognize the
2 importance and the commitment to providing the service
3 levels that we have before.

4 VICE CHAIRMAN LANGLEY: Can you just help me
5 understand what a plan generator would be?

6 THE WITNESS: Yes. Sorry, I should be
7 careful about using the lingo.

8 So basically it is a tool built in Excel
9 that allows -- it creates performance charts to show
10 you how long it would take to run the volume based on
11 certain input parameters, based on the volume arrival
12 profile, based on the through-puts. It allows you to
13 actually put in luncheon break factors if that's a
14 factor within there, and it lays out how you should
15 put your sort plans on there based on what clearance
16 time they need to have, how do you kind of pack those
17 machines and says, okay, for your DBs you might have
18 said you have 12 to use and it might only need to put
19 it on 10.

20 So again you can put in the volume factors
21 or making sure that you've accounted for peak volumes
22 and everything else to ensure your success. So it's
23 basically a calculator that looks at those parameters
24 to make sure that we can meet operating plan, which
25 should lead us to successfully meeting our service

1 standards.

2 VICE CHAIRMAN LANGLEY: And are those
3 plans -- obviously they're reviewed at the plant
4 level. Does it continue up the chain so that there is
5 redundancy in the system as far as looking at what
6 individual plants are doing?

7 THE WITNESS: And part of the requirements
8 to my understanding for this implementation in the
9 project management office managing this is those plans
10 will go to the areas. The areas will review them and
11 then ultimately they're going to come to a
12 headquarters group to do that final review to ensure
13 that not only are they either being too aggressive but
14 are they being too lax too in terms of is there
15 opportunity to consolidate more and making sure
16 they're meeting those operating plans and following
17 the plan.

18 VICE CHAIRMAN LANGLEY: Would it be safe to
19 assume that these generated plans sort of fill in the
20 gap for the AMPs?

21 THE WITNESS: I think that again, I guess it
22 depends on how we define what the specific AMP purpose
23 is, and again I'm not an expert from that, but that
24 definitely helps us do that feasibility analysis to
25 make sure that the organization will be successful.

1 So from a feasibility standpoint, I think that really
2 would help fill in those gaps.

3 VICE CHAIRMAN LANGLEY: And then I'm
4 wondering out loud whether that would assist the
5 Commission as well in filling in any gaps.

6 CHAIRMAN GOLDWAY: Well, I think the witness
7 herself has pointed out we've asked some good
8 questions, and we'll have to go over the transcript
9 and see, see what we might ask for tomorrow.

10 VICE CHAIRMAN LANGLEY: I have one final
11 question. Really it's strictly bookkeeping, so let me
12 ask the question.

13 In your response to Question 4 you indicate
14 that four facilities were removed from the list of 229
15 facilities and four sites were inadvertently added to
16 the list. Would you please confirm that a total of
17 225 facilities will be consolidated as a result of the
18 modified network rationalization plan?

19 THE WITNESS: Based on the plan, that is
20 correct.

21 VICE CHAIRMAN LANGLEY: Thank you so much.
22 I appreciate your responses.

23 THE WITNESS: You're welcome.

24 CHAIRMAN GOLDWAY: I have one question and
25 then I know our other Commissioners have questions and

1 we may jump in as well.

2 You did mention when you were talking to
3 Vice Chairman Langley that there will be a moratorium
4 on September 1. Do you have a clear idea the extent
5 to which consolidation is going to proceed from now
6 until September 1 and how many plants will be
7 impacted?

8 THE WITNESS: There's current plans. I
9 think that we have -- the list that -- we have the
10 list that was published. It's approximately 48. The
11 organization is looking to see if there are additional
12 opportunities, but some of those opportunities most
13 likely would not be network facilities. They could
14 be. But what they need to do is make -- there is a
15 very condensed time in which those consolidations
16 could happen because if we have a July 1 service
17 standard change and you have a very limited window
18 from July 1 to September 1 --

19 CHAIRMAN GOLDWAY: Right.

20 THE WITNESS: -- to be able to do those
21 consolidations, so they need to be those kind of quick
22 wins or ones that are easy that don't really require
23 much, if any, equipment moves, some that might involve
24 no people moves.

25 CHAIRMAN GOLDWAY: So no or little equipment

1 move and perhaps no people move either?

2 THE WITNESS: And so the list of 48, I think
3 that there might be some bigger equipment, but if
4 there are any additions to that, they would have to be
5 much more limited.

6 CHAIRMAN GOLDWAY: Okay. Oh, for the
7 additions.

8 THE WITNESS: Yes.

9 CHAIRMAN GOLDWAY: But there will be some
10 equipment moved within the 48, and I presume adequate
11 notice has already been given to the employees in
12 those plants?

13 THE WITNESS: So, along those lines, that's
14 exactly right. The Postal Service from my
15 understanding is following all of that process, which
16 means I think employee moves can't move until almost
17 middle of August, so now that gives you really a two-
18 week timeframe to really be able to move all the
19 workload and have the people there to support the
20 workload, so for that reason, there is very limited
21 consolidations during the summer.

22 CHAIRMAN GOLDWAY: Okay. You're going to
23 play around with 48 plants and you're not going to be
24 able to eliminate employees until the middle of
25 August, and yet by September 1 you're going to assure

1 people that you have service standards in place for
2 the busiest seasons of the year, September through
3 December?

4 THE WITNESS: And what you'll notice on some
5 of the smaller -- yes, there have been moves that have
6 happened before, and again, once July 1 happens, if
7 equipment does need to move, equipment can be even
8 moving to support those operations.

9 Now, once the May 15 moratorium ended,
10 certain moves could be made to support potential
11 consolidations. So, during that time, even now if
12 there is underutilized equipment as we get into our
13 lower volume times, we do create float equipment that
14 during a peak time that facility may have needed it,
15 but it starts to position us to be able to make those
16 moves and get the equipment there from that
17 standpoint.

18 CHAIRMAN GOLDWAY: So there is some
19 equipment already being moved?

20 THE WITNESS: That's correct.

21 CHAIRMAN GOLDWAY: Okay. I'll let
22 Commissioner Acton proceed.

23 COMMISSIONER ACTON: Thank you, Madam
24 Chairman.

25 I just would like to follow up about some

1 testimony from Witness Whiteman regarding contribution
2 loss. We talked about this a moment earlier. I just
3 would like to know more about the rationale that the
4 Service was using when you consider that the modified
5 plan doesn't propose to implement changes until 2014
6 with respect to service standards. How would you
7 believe that the Commission should consider Witness
8 Whiteman's analysis in relation to this docket, this
9 case?

10 THE WITNESS: To be honest, I don't know the
11 details about Witness Whiteman's analysis, so I
12 wouldn't be able to give you, I don't think, an
13 adequate opinion on that standpoint other than knowing
14 the end results.

15 COMMISSIONER ACTON: In some of your
16 Chairman's information request responses you spoke
17 about the 160 facilities that were identified for
18 consolidation. Can you tell us how the Service
19 contemplated and identified these facilities for that
20 consolidation?

21 THE WITNESS: So high level, one of the
22 things that I -- what they had started with is I think
23 was based most likely on the December 5 filing because
24 we did not have the information based on the AMP
25 announcements. That happened on 2/23. And so it

1 first looked at the outlines, so basically under an
2 intra-SCF we have an understanding that you probably
3 can't travel much more than 150 miles and still be
4 able to make the operating plan. Otherwise you start
5 to push the ends of the window.

6 So I think basically one of the P.O. box was
7 is looking where you had consolidations that happened
8 further out from that standpoint and then I believe
9 probably looked at just high level of how much more
10 equipment you were necessarily -- it was probably
11 looking at a high, high level equipment assessment of
12 what can get packed in the buildings or if expansions
13 happened. To be honest, I don't know all of the
14 details. I wasn't involved in that P.O. back. I know
15 that they started with the end game and kind of looked
16 back. I know that the 150 mile was one of the
17 critical factors, but other things kind of layered
18 into that as well.

19 COMMISSIONER ACTON: Do you know when these
20 160 facilities were identified, a timeframe?

21 THE WITNESS: Probably I think maybe
22 sometime in the month of January, but I'm not sure.

23 COMMISSIONER ACTON: Why was the number
24 reduced to 140?

25 THE WITNESS: I'm conjecturing, but I

1 imagine it was due to additional due diligence that
2 was done again. It was probably speaking with the
3 areas to see with the areas what was more feasible
4 versus working kind of at a very high level strategic
5 is there even opportunity to do this.

6 COMMISSIONER ACTON: So that's your
7 impression of the process that was employed to change
8 the number from 160 to 140?

9 THE WITNESS: Exactly, and probably I should
10 also -- it probably accounted for the change of the
11 AMPs that were actually disapproved, so that's also
12 going to help reduce that number. So I can't attest
13 to the fact that the 140 is a subset of that 160 from
14 that standpoint, and I think that's important to note.

15 COMMISSIONER ACTON: The Service had
16 provided workroom square footage estimations as a
17 percentage of all candidate facilities in the Phase I.
18 Do we know what the new percentage would be?

19 THE WITNESS: That analysis has not been
20 performed, and again, as stated in Question 1 that the
21 network continues to evolve as we go through all of
22 that, again it would again just be an estimate. They
23 wouldn't be able to give a concrete answer to what
24 that ultimate workroom square footage would be in a
25 full-up network.

1 COMMISSIONER ACTON: But the 64 percent
2 figure would be reduced?

3 THE WITNESS: It most likely, but it is
4 possible depending on which facilities got swapped in
5 and out, it could change. But, yes, most likely
6 that's probably an accurate assessment.

7 COMMISSIONER ACTON: And lastly I have some
8 questions about cost savings estimations. In an
9 earlier Chairman's information request the Service
10 indicated that there would be about \$1.2 billion in
11 cost savings for Phase I. It's based upon an original
12 \$2.6 billion cost saving estimate. Can you explain
13 that this is because Phase I savings estimates were
14 developed prior to the April 30 supplemental
15 testimony?

16 THE WITNESS: Yes.

17 COMMISSIONER ACTON: Now that the Service
18 has the benefit of the supplemental testimony, do you
19 believe it could be more accurate if it were based on
20 the updated cost savings estimations?

21 THE WITNESS: The one factor that's
22 different from the end phase of the \$2.6 billion that
23 was in the first run versus the second and having this
24 interim phase, what I had talked about earlier is one
25 of the things that is not accounted for in the end

1 state because you no longer lose that opportunity is
2 in the full-up network your critical entry time is
3 going to be 8 a.m. So even though your two-day First-
4 Class Mail service standard is a six-hour drive and
5 there is not a lot of slack in the interim phase, the
6 CET internally is probably around 1,600, so you'd
7 still have -- even though you only have six-hour drive
8 time, you have a lot of opportunity for consolidation.

9 So again, using that same methodology on the
10 recasted also wouldn't necessarily give you -- it
11 would give you a different estimate. I don't know
12 that it would give us a better estimate.

13 CHAIRMAN GOLDWAY: But do you think it would
14 be a somewhat lower estimate since the estimates that
15 you were using originally were much greater than what
16 was provided to us with the revision from Bradley and
17 Smith?

18 THE WITNESS: It probably would be a little
19 bit lower, but again, one of the pieces that is
20 transportation savings would probably increase from
21 that standpoint because there was a cost in the
22 Witness Bradley and Witness Smith having to divert
23 volume to the air network which wouldn't have to
24 happen in that interim phase.

25 CHAIRMAN GOLDWAY: So it's possible that the

1 percentage of savings you capture in going to this
2 interim phase is greater in terms of the overall
3 impact? In other words, you're getting more savings
4 for cutting fewer plants. When you get to the
5 remaining plants, the amount of savings per plant
6 based on what you just said is going to be lower.

7 THE WITNESS: So I guess I should clarify
8 because I didn't make my point clear. The overall
9 savings because you're starting to impact all of the
10 facilities from a transportation perspective, in the
11 interim phase, we might be able to increase the
12 savings opportunity, but again some of those savings
13 opportunity disappear when you go to the full-up, but
14 the mail processing opportunities outweigh that
15 transportation loss.

16 So to what your question was that most
17 likely the savings would be slightly lower under this
18 revised if we were using the supplemental testimony
19 from that standpoint. But again, during the interim
20 phrase there is more transportation savings, but the
21 full-up network overall, the savings is greater than
22 the interim phase.

23 CHAIRMAN GOLDWAY: Greater, but the
24 percentage of savings is not necessarily -- it seems
25 to be a smaller percentage of savings --

1 THE WITNESS: Oh, than it was --

2 CHAIRMAN GOLDWAY: -- in the second phase
3 than in the first phase of the overall savings.

4 THE WITNESS: Right. Because it --

5 CHAIRMAN GOLDWAY: I mean, your numbers say
6 that, but it seems that that's even the case if we use
7 the revised numbers, the revised lower numbers.

8 THE WITNESS: So I'm just going to repeat
9 because I think this is what you're asking is. The
10 additional savings to go from Phase I to Phase II is
11 less than the overall savings for Phase I.

12 CHAIRMAN GOLDWAY: Right.

13 THE WITNESS: Yes, that is a correct
14 statement based on if you do even the 2.1 minus the
15 1.2.

16 CHAIRMAN GOLDWAY: Right.

17 THE WITNESS: But those are savings on top
18 of what we would have already received.

19 COMMISSIONER ACTON: I believe in your
20 testimony you indicated that the estimation was
21 developed before April 30 as an internal sort of
22 targeting effort. Can you tell us when the Postal
23 Service made the determination that substantial
24 savings could be achieved without eliminating
25 overnight delivery?

1 THE WITNESS: To be honest, I wasn't part of
2 all those conversations, so I can't provide an
3 estimate of when postal management had all of that
4 information to make that decision.

5 COMMISSIONER ACTON: It's a key question.

6 I had the sense that you have some
7 viewpoints about the accuracy of the 2.6 versus the
8 2.1 estimate. Do you have anything you'd like to say
9 or your remarks about the relative development of that
10 data?

11 CHAIRMAN GOLDWAY: She said it before,
12 that --

13 COMMISSIONER ACTON: Well, it's --

14 THE WITNESS: Can you just clarify?

15 COMMISSIONER ACTON: Well, from what you're
16 saying here today, and I may be reading this wrong,
17 you have some insight on the approaches and
18 methodologies and operational considerations that went
19 into the development of those two assessments of 2.6
20 and 2.1. And I would like to know if you have a
21 viewpoint on whether one may be more representative
22 than the other.

23 THE WITNESS: I think this is the best way
24 that I can answer that and if you have additional
25 questions, I'm certainly happy to answer them. I

1 think the same methodology was used for the 2.6 versus
2 the 2.1. The change in savings numbers was due to the
3 disapproval of 35 AMPs. So I think that there is
4 consistent methodology from that standpoint from the
5 2.6 to the 2.1.

6 COMMISSIONER ACTON: All right. I'll confer
7 with the Chairman. We may ask for some written
8 supplemental information, but I'm finished for now.
9 Thank you, Madam Chairman. Thank you.

10 THE WITNESS: Thank you.

11 CHAIRMAN GOLDWAY: Our staff just wants me
12 to clarify a discussion we were having a minute ago
13 that there is a greater percentage of savings from the
14 first phase than from the second phase of the overall
15 savings. I think that's what you had said and I
16 just --

17 THE WITNESS: Okay. So I think basically
18 you're saying like 1.2 is over half of the 2.1, so I
19 think that is a correct statement to say 1.2 divided
20 by 2.1 is over 50 percent. So you capture more
21 savings in phase -- you capture most of the -- not
22 most. You capture more than half of the savings under
23 Phase I, but there is additional savings to capture as
24 you move to Phase II. Does that answer?

25 CHAIRMAN GOLDWAY: Then the question of

1 volume losses is still up in the air.

2 THE WITNESS: That's correct. Again, I
3 guess the question comes is in a Phase 1/Phase II
4 would you just breakout that \$500 million or are you
5 thinking that it's out of there?

6 CHAIRMAN GOLDWAY: Does more of the volume
7 loss come in Phase II versus Phase I.

8 THE WITNESS: Right.

9 CHAIRMAN GOLDWAY: Okay. Commissioner
10 Hammond, did you have some questions?

11 COMMISSIONER HAMMOND: Yes, thank you. I
12 had a couple of questions trying to get clarification
13 from some of the answers you gave earlier today in
14 response to questions from Mr. Anderson, and he
15 briefly asked some questions relating to classes of
16 mail, and I thought that in response to a question
17 from Mr. Anderson, I thought I heard you say that you
18 could not affirm whether or not there would be changes
19 in standard mail delivery as a result of these interim
20 changes. Is that essentially what you said?

21 THE WITNESS: Yes, that is a correct
22 statement, that was what I said.

23 COMMISSIONER HAMMOND: Okay. But then he
24 asked about periodical mail delivery, and I thought I
25 heard you say there would be no changes in periodical

1 mail delivery as a result of the modifications to your
2 original plan. Is that what you were saying?

3 THE WITNESS: No. I would have to look back
4 at the standard mail to be able to answer that.
5 Periodicals, I know that there are changes to
6 periodicals.

7 COMMISSIONER HAMMOND: There are changes --

8 THE WITNESS: Yes.

9 COMMISSIONER HAMMOND: -- in the periodicals
10 mail delivery as a result of these modifications?

11 THE WITNESS: Exactly.

12 COMMISSIONER HAMMOND: Can you expound on
13 like what sort of changes in periodical mail delivery
14 as a result of that?

15 THE WITNESS: Exactly, and all of the
16 details can be found in the *Federal Register*, but I
17 will do my best to kind of summarize what those
18 changes are.

19 Today, currently, prior to July 1, there are
20 some overnight standards from destination entry drop
21 for periodicals that will all be two-and-three day
22 under either Phase I and Phase II of post-July 1.

23 The other is there will be no overnight
24 periodical service, and I believe I'm speaking to that
25 correctly, from an end-to-end perspective after July 1

1 either. I think that summarizes it, but I can
2 certainly if need be kind of write it out a little bit
3 more clearly.

4 COMMISSIONER HAMMOND: Okay. So you're
5 saying those changes are going to be made. Did you
6 look at anything like -- like originally Commissioner
7 Acton pointed out in response to one of your questions
8 of these 160 facilities turned into 140 facilities
9 where 20 were not going to be closed. Does that make
10 any difference about now that they're not going to be
11 closed that that changes either standard mail,
12 periodical mail? Did you go into the details on that
13 already and come to conclusions?

14 THE WITNESS: I guess I'm not sure that I
15 fully understand the question.

16 COMMISSIONER HAMMOND: Well, I guess like
17 what I'm thinking of, all right, you were going to
18 close a facility in the original plan and you were
19 going to truck some mail three hours or more to a
20 different processing plant, which some people would
21 conclude add three hours, process it up there, add
22 three hours to bring it back, that adds a day or two
23 days, et cetera.

24 Now you're not going to close that facility.
25 Have you thought all the way through and come to a

1 conclusion in seeing what your service standards are
2 going to be that that actually is a difference?

3 CHAIRMAN GOLDWAY: In other words, will
4 there be better service for standard mail and
5 periodicals than originally in the *Federal Register*
6 because you've reduced the number of plant closings?

7 THE WITNESS: I guess I should probably
8 clarify. The *Federal Register* is just a set of rules
9 from that standpoint. So could certain, depending on
10 what final decisions are made about actual plant
11 consolidations, yes, you are right. There may be a
12 difference in the service that facilities get from one
13 to another depending on the ultimate consolidation
14 decisions and the timing of those consolidations.

15 Does that answer the question?

16 COMMISSIONER HAMMOND: Well, yes, yes. That
17 helps answer the question.

18 So, with those 20, and I've heard different
19 answers from people reading your news releases, et
20 cetera, and so I just wanted to see if you could
21 clarify this. Those 20 that you are now not closing
22 down in your modified plan, are they closing by the
23 time Phase II is done? The decision made that those
24 20 are indeed closing?

25 THE WITNESS: So which 20 are you

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1 specifically referring to? Are you referring to the
2 actual response that I had when we talked about --

3 COMMISSIONER HAMMOND: Well, you've got 160
4 facilities that were later reduced to 140 facilities,
5 so that means to me there is 20 facilities now not
6 closing under the modified plan for the time being.

7 THE WITNESS: So what I'd like to clarify is
8 that was a high-level estimate, so that wasn't what
9 was filed with the case versus what's filed now. That
10 was all outside the kind of case from that standpoint.

11 COMMISSIONER HAMMOND: Right. So no one
12 should conclude one way or the other whether or how
13 many plants once Phase II is done will actually be
14 closed? People would only be speculating.

15 THE WITNESS: I think what was filed in the
16 case after the AMP announcements and all of that, that
17 is the Postal Service's end game from that standpoint,
18 so this interim analysis to try to just get high-level
19 estimates and targets should not be used to sway what
20 was filed with the Commission and what the ultimate
21 Postal Service's end game is. I think the
22 supplemental testimony that was filed based on the AMP
23 changes is an accurate depiction is my understanding
24 of where the organization is.

25 COMMISSIONER HAMMOND: So that is what

1 everyone should follow?

2 THE WITNESS: Yes.

3 COMMISSIONER HAMMOND: Right, right. Okay,
4 that helps me out then.

5 THE WITNESS: Okay, excellent.

6 COMMISSIONER HAMMOND: Great, yes. Thank
7 you very much.

8 THE WITNESS: You're welcome.

9 CHAIRMAN GOLDWAY: I have some questions.
10 Because of the nature of this process where we've
11 tried to consolidate the review of this additional
12 proposal that's been submitted as part of the N case,
13 I'm going to ask you some questions that I think would
14 normally be done in writing and done by staff who
15 understand it a lot better than I.

16 But I'm going to be asking questions based
17 on a chart which is in Response to Chairman's
18 Information Request 1, Question 3, Savings Estimate
19 Intra-SCF. I have a portion of that chart here, and I
20 understand that staff has circulated that to everyone.

21 Does the court recorder have that as well?
22 And do you have a copy of it?

23 MR. TIDWELL: Madam Chairman, Michael
24 Tidwell for the Postal Service. Will this be
25 Chairman's Cross-Examination Exhibit No. 1?

1 CHAIRMAN GOLDWAY: Sure. That's fine.
2 (The document referred to was
3 marked for identification as
4 Exhibit No. CE-1 and was
5 received in evidence.)
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CHAIRMAN'S CROSS EXAMINATION EXHIBIT ONE

2800

	1	2	3	4	5	6	CURRENT COMPLEMENT COUNTS	REQUIRED COMPLEMENT COUNTS	NET CHANGE
	Area	District	Facility	FIN	AMP/Non- AMP	Gaining Site	TOT - CAREER	TOT - CAREER	TOT CHANGE - CAREER
1	CAPITAL METRO	ATLANTA	ATLANTA GA NDC	120439	N/A	N/A	584	598	3
2	CAPITAL METRO	ATLANTA	ATLANTA LDC, GA	120442	N/A	N/A	514	433	-98
3	CAPITAL METRO	ATLANTA	ATLANTA, GA	120441	N/A	N/A	1,102	793	-309
4	PACIFIC	SAN DIEGO	Midway CA P&DF	56771	Non-AMP	ML Sellers CA P&DC	339	3	-336
5	PACIFIC	SANTA ANA	Long Beach CA P&DC	54483	AMP	Los Angeles CA P&DC	627	32	-595
6	PACIFIC	SIERRA COASTAL	Pasadena CA P&DC	55863	AMP	Los Angeles CA P&DC	245	8	-237
7	PACIFIC	LOS ANGELES	Los Angeles CA ISC	54521	N/A	N/A	581	88	-502
8	PACIFIC	LOS ANGELES	LOS ANGELES CA NDC	54529	N/A	N/A	950	970	4
9	PACIFIC	LOS ANGELES	LOS ANGELES, CA	54531	N/A	N/A	2,116	2,390	259

**Source: Attachment to Response to CIR 1 Q 3 "SavingsEstimate_IntraSCF_1.XLS" tab
"Required Complement by Site"**

1 CHAIRMAN GOLDWAY: So you have a copy of the
2 chart in front of you, and you'll bear with me as I
3 ask you these questions. The questions involve
4 facility specific information contained in the Savings
5 Estimate Intra-SCF tab.

6 The table I've given you shows a subset of
7 the spreadsheet that you provided, so we can look at a
8 few specific facilities. The data have not been
9 changed, however. There are a couple facilities I'd
10 like to talk about.

11 Please look at Rows 1 through 3, which
12 detail the change in employees at the Atlanta
13 facilities. In response to CIR No. 1, Question 4, you
14 stated that there is a potential to consolidate the
15 Atlanta facility into the North Metro Georgia facility
16 as part of Phase 1.

17 The spreadsheet, however, appears to show
18 that the Atlanta facilities will be reducing their
19 employee complement. Is that correct?

20 THE WITNESS: Based on the spreadsheet, it
21 shows that Atlanta has a reduced complement, and I
22 think it's important to note again to be mindful of
23 this data. This data was collected back in late
24 September. I think there's a footnote at the bottom,
25 and the analysis was done prior to the 2-23

1 announcements.

2 So there has been numerous changes from
3 September to even the first announcement, let alone
4 the second announcement, from that standpoint, so I
5 think that's a --

6 CHAIRMAN GOLDWAY: So what does NA mean in
7 Column 5 labeled AMP/Non AMP.

8 THE WITNESS: What that means is that would
9 not be a gaining site, meaning that there was no AMP
10 activity at the time that this analysis was done.
11 That facility would probably be a standalone facility,
12 meaning that it would be impacted by the service
13 change, but not necessarily by consolidation.

14 CHAIRMAN GOLDWAY: So you calculated a net
15 change in Column 9 based on service changes?

16 THE WITNESS: Because there was productivity
17 improvements in other components.

18 CHAIRMAN GOLDWAY: But not on facilities,
19 right? That's how I understand it.

20 THE WITNESS: Yes. So there's two
21 components. If there's consolidations they'd be done
22 based on the consolidations, but if they're standalone
23 the service standard change would also have an impact
24 on the complement.

25 CHAIRMAN GOLDWAY: So now look at Row No. 4,

1 which contains information on the Midway PNDF. In
2 response to CIR No. 1, Question 4, you stated that the
3 Midway facility will be consolidated this summer. Is
4 that correct?

5 THE WITNESS: A portion of it is planned to
6 be consolidated.

7 CHAIRMAN GOLDWAY: Does Non AMP in Column 5,
8 AMP/Non AMP, mean that the Postal Service has not
9 developed an AMP for this facility?

10 THE WITNESS: I can't speak to all the
11 details of the 408 guidelines, but based on the
12 operations -- I believe based on the operations --
13 that happened in Midway they did not need to file a
14 408, a formal AMP package, for that consolidation is
15 my understanding.

16 So there's certain consolidations that
17 require the 408 process and some that don't, so there
18 are additional consolidations.

19 CHAIRMAN GOLDWAY: What are some of those
20 conditions that would not require a formal AMP?

21 THE WITNESS: I, to be honest, can't really
22 speak to all of those pieces. I want to say it's if
23 all -- I shouldn't speak to it. I truly can't answer
24 that probably accurately.

25 CHAIRMAN GOLDWAY: So we need more

1 information on that I think. Okay. So now please
2 look at Rows 5 through 10, which contain information
3 on the consolidations of Long Beach and Pasadena into
4 the Los Angeles facility.

5 In response to CIR No. 1, Question 4, you
6 stated that there is a potential to consolidate Long
7 Beach and Pasadena facilities as part of Phase 1. Is
8 that correct?

9 THE WITNESS: That's correct. I'll double
10 check too, but yes.

11 CHAIRMAN GOLDWAY: So the Postal Service has
12 developed AMP proposals for both of these facilities
13 according to this chart and what we've seen.

14 My staff informs me that Pasadena, Long
15 Beach and Los Angeles, the current and required
16 complement in this file, is within 5 percent of
17 comparable numbers in the AMPs. Were the AMPs the
18 source of the current and required complement numbers
19 in this file in Columns 7 and 8?

20 THE WITNESS: I cannot speak to how the AMPs
21 were populated.

22 CHAIRMAN GOLDWAY: So what was the source
23 then for these numbers?

24 THE WITNESS: These numbers? They came --
25 we have a system called WebCOINS that was extracted on

1 I think it was September 21 was the footnote. I'd
2 have to check, but the current was based on that
3 WebCOINS extract of the facilities and the number of
4 employees that were at those individual facilities.

5 CHAIRMAN GOLDWAY: And that was done
6 September?

7 THE WITNESS: I think there's a footnote. I
8 think it's September 21. I actually have the full
9 sheet. I'll tell you.

10 CHAIRMAN GOLDWAY: And what was the
11 projected number of employees based on?

12 THE WITNESS: Yes. The footnote states
13 September 21, 2011, was the extraction, and the
14 projection was based on certain productivity
15 improvements and the workload that would be shifted
16 between those buildings.

17 That's the kind of level of detail that I
18 have, but it was what workload would be at those
19 future facilities, whether it's the same workload as
20 it is today or if a consolidation was going to happen
21 and then based on certain productivities what are the
22 work hours required and then dividing by some annual
23 work hour factor to get the actual FTE calculation.

24 CHAIRMAN GOLDWAY: But that was not part of
25 the AMP. That was other information about

1 consolidation activities that you used?

2 THE WITNESS: And this was done prior I
3 believe, and I'm not sure of all of the timeframe of
4 all of the different pieces, but this was certainly
5 done early on from that standpoint so it's --

6 CHAIRMAN GOLDWAY: Do you think the AMP
7 would be more reliable than this chart?

8 THE WITNESS: I believe, yes, the AMP should
9 be more reliable because I know that the
10 consolidations that were on here were sometimes in
11 certain cases undecided. I think that information is
12 more accurate.

13 CHAIRMAN GOLDWAY: Okay. I hope I answered
14 the staff's questions on this. They wanted to know
15 whether this was a high level AMP or the high level
16 separate from AMP.

17 THE WITNESS: This was a very high level
18 assessment done --

19 CHAIRMAN GOLDWAY: Probably earlier than the
20 AMPs.

21 THE WITNESS: Exactly.

22 CHAIRMAN GOLDWAY: Okay. The remaining
23 questions are 8, 12 and 14. All right. Give me a
24 moment to see if we can find them. I think I may have
25 answered -- oh, no. I didn't answer 8. Okay.

1 In your explanation, in your response to CIR
2 No. 1, Question 3B, you explained that a 64 percent
3 adjustment factor was used to estimate the cost
4 savings from Phase 1 of the network consolidation.
5 However, in an attachment to the response, Excel 5,
6 Savings Intra-ESC (sic) tab, you use an adjustment
7 factor of 51.4 percent for air transportation and 10
8 percent for plant-to-plant HCR network restructuring,
9 and the worksheet also uses a 75 percent adjustment
10 for maintenance, labor and parts and supplies.

11 Can you please explain how each of these
12 adjustment factors were developed and discuss why the
13 adjustment factors are different for these categories?

14 THE WITNESS: I can conjecture to why they
15 were done. I was not part of all of the decision
16 making, but the workload adjustments were based on
17 looking at kind of facility square footage and so
18 anything related to facilities applied that 64
19 percent, so that kind of covered some of the workload
20 transfers, some of the other facility building
21 maintenance and other components.

22 Nonfacility related expenses probably
23 couldn't -- I'd imagine that they determined that you
24 couldn't apply that same kind of factor, but again I
25 was not the person making all of the decisions from

1 that standpoint, so I can't speak to the details, but
2 subject matter expertise was probably applied to that
3 to see what was reasonable.

4 CHAIRMAN GOLDWAY: So there are other
5 people, not you as a witness, who were involved in
6 establishing the percentages, this 51.4 percent, the
7 10 percent and the 75 percent?

8 THE WITNESS: Which is the 51.4?

9 CHAIRMAN GOLDWAY: Air transportation.

10 THE WITNESS: Oh, okay. But that's correct.
11 There's other people involved other than just me
12 helping determine what these percentages are.

13 CHAIRMAN GOLDWAY: We discussed already that
14 the 160 facilities was then reduced to 140, and it
15 might be that instead of 64 percent it should be a
16 somewhat smaller percentage for savings if we're going
17 to use that notion to estimate what the potential
18 savings would be. Can you discuss how workroom square
19 footage relates to plant-to-post office transportation
20 costs and explain the rationale for using this factor
21 for estimating Phase 1 transportation costs?

22 It would seem to us, as was the case in the
23 revised estimate for cost savings which we got that
24 reduced the transportation savings, that there are
25 fewer transportation savings -- more transportation --

1 with this network option rather than the additional
2 savings that you've presented. So what's the thinking
3 here?

4 THE WITNESS: So you're asking an excellent
5 question. Again, these numbers were cast well before
6 the final rules were made so along those lines during
7 the intra-SCF, because we're not moving up the CET,
8 you probably would not -- you would have very little
9 volume that needs to shift to surface and air, so that
10 51 percent would probably almost disappear. You
11 wouldn't have to -- we wouldn't incur a cost for that.

12 Again, that evaluation would need to be done
13 so you could almost negate that 64 percent, but again
14 this was all done prior to the final rule of this not
15 moving the CET up. I can't specifically speak to the
16 percentages from that standpoint, but again when you
17 do additional consolidations there's tradeoffs and
18 balances, and I can't speak to all of the details in
19 terms of what plants were used, but as you do
20 consolidations the post office-to-plant will travel a
21 little bit further.

22 So again, you might have additional miles
23 with further consolidation, so you might have
24 additional transportation costs in the full-up
25 network, like you said, that you wouldn't necessarily

1 incur in the interim phase. So today you're going
2 from a plant that's only 10 miles away, and that plant
3 now is consolidated to a plant 30 miles away. Now
4 that post office trip could potentially be traveling
5 that 30 miles.

6 CHAIRMAN GOLDWAY: So instead of
7 transportation savings there may be transportation
8 costs?

9 THE WITNESS: No, because they outweigh so
10 it's a balance, again having greater consolidation.

11 CHAIRMAN GOLDWAY: Yes. I get it, but you
12 wouldn't carry forward that 64 percent if there are
13 these countervailing forces.

14 THE WITNESS: But you might actually -- you
15 might be capturing in the interim phase where you're
16 traveling less. You should actually be able to
17 potentially save more. Again, I can't attest to the
18 64 percent, but in an interim phase where you have
19 more nodes open you're traveling less miles.

20 CHAIRMAN GOLDWAY: Okay. We'll have the
21 staff look into those answers.

22 There's one more question here. In response
23 to CIR No. 1, Question 8, you say that the Phase 1
24 network reflects a judgment reached by headquarters
25 after consultations with area and district operations

1 and transportation experts.

2 When did the Postal Service determine that
3 there was a subset of feasible consolidations that
4 could permit the preservation of intra-SCF overnight
5 first class mail service?

6 THE WITNESS: And to be honest, I wasn't
7 part of those conversations so I'm not exactly sure
8 when that determination happened.

9 CHAIRMAN GOLDWAY: Was the possibility of a
10 consolidation plan that would preserve intra-SCF
11 overnight service considered before the request for an
12 advisory opinion for eliminating overnight service was
13 filed?

14 THE WITNESS: I can't answer that either.
15 I'm not sure of all of the timelines from that
16 standpoint.

17 MR. TIDWELL: Madam Chairman, Michael
18 Tidwell for the Postal Service. I think the answer to
19 that question may be found in I think it's Witness
20 Williams' response to GCA Interrogatory 1.

21 I can't recall whether it was directed to
22 Witness Williams or the institution, but there was
23 discussion in response to that interrogatory about a
24 high level assessment of a less ambitious plan than is
25 presented to the Commission in this case.

1 CHAIRMAN GOLDWAY: We'll refer to it. Thank
2 you.

3 Can you describe in more detail what steps
4 were involved in making the determination to do the
5 intra-SCF overnight presentation? Who was involved in
6 making the determination?

7 THE WITNESS: I can conjecture it was postal
8 management. I'm not sure who exactly was involved in
9 that decision making process.

10 CHAIRMAN GOLDWAY: Okay. I think I'll just
11 end by asking you a couple of general questions.

12 It seems to me it's the responsibility of
13 the Postal Service to deliver the mail within the
14 standards that it determines and has filed in the
15 *Federal Register*, and it's up to the Commission to be
16 able to give you our advice as to whether the plans
17 you're adopting will meet those standards.

18 How can either of us assure our
19 responsibilities when you keep talking about we're
20 going to implement as we go and that we'll make
21 adjustment and the analysis is being done during the
22 implementation process? How can we be confident that
23 at the end of the day what you think may happen will
24 happen without prior analysis and full details?

25 THE WITNESS: I guess from my understanding

1 or my recommendation is the ultimate end game is one
2 and the same as what was done with all that detailed
3 analysis, so just in my opinion looking at that end
4 game it's just how we're getting to that end game.

5 And so slowing down the process, we're not
6 reaping those savings that we've presented as quickly
7 as we thought, but that's ultimately where we're
8 headed to.

9 CHAIRMAN GOLDWAY: But can we assure the
10 service that we're promising in the interim if we're
11 making analysis during the implementation phase?

12 THE WITNESS: And again, this is just my
13 opinion from that standpoint, but again this whole
14 idea of intra-SCF for the most part many of these
15 plans do that today. So if we have certain levels of
16 standards that we are meeting today then we should be
17 able to carry that through in the interim phase.

18 CHAIRMAN GOLDWAY: And I believe that the
19 Postal Service has indicated a recognition that the
20 final implementation Phase 2 may never actually occur.
21 Either legislation or changes in the world will
22 determine that they should not implement or cannot
23 implement or defer the implementation.

24 How does that impact your sense that we
25 should plan for the end game when what we've got is a

1 clear date and deadline for this new proposal?

2 THE WITNESS: My understanding is that the
3 only thing that will change us from getting to that
4 end game is either congressional action or comments
5 based on the advisory opinion of the Postal Regulatory
6 Commission. Other than that, my understanding is we
7 were given direction to proceed forward to that
8 full-up phase.

9 CHAIRMAN GOLDWAY: So the question for us is
10 whether we have enough information to give you the
11 advice you need about Phase 1 and Phase 2.

12 I don't have any further questions. We
13 would have an opportunity for participants to ask some
14 questions now is it? Yes. Are there any questions?

15 MR. ANDERSON: Madam Chairman, Darryl
16 Anderson for the APWU.

17 CHAIRMAN GOLDWAY: Yes.

18 FURTHER CROSS-EXAMINATION

19 BY MR. ANDERSON:

20 Q I'd like to follow up, if I may, on the
21 question about the final plan includes for presort
22 mail the possibility of the continuation of overnight
23 service. I'm wondering if anybody evaluated that as a
24 workshare discount and whether the benefit is
25 commensurate with costs that are saved. Do you know?

1 A I can't speak to that. I'm not aware.

2 Q I'd just like to confirm, Ms. Rosenberg,
3 that you're still occupying the same position you
4 occupied when you submitted your testimony in this
5 case I assume?

6 A I'm actually not. I am now Acting Manager
7 of Network Development and Support. It's the same
8 group, the same team.

9 Q Okay. Is that a promotion?

10 A Well, it's only acting so I guess it's a
11 quasi-promotion.

12 MR. ANDERSON: Good for you.

13 THE WITNESS: Thank you.

14 MR. ANDERSON: I don't have any other
15 questions. Thank you.

16 THE WITNESS: Thanks.

17 CHAIRMAN GOLDWAY: Any other questions?

18 (No response.)

19 CHAIRMAN GOLDWAY: No? Okay. Well, that
20 concludes our portion of the questions. It's 12:16.
21 Counsel, do you expect to have significant questions
22 for your witness, or should we just give you a short
23 break and come back?

24 MR. TIDWELL: Madam Chairman, a three minute
25 break I think should suffice.

1 CHAIRMAN GOLDWAY: Okay. How about if we
2 give you a five minute break?

3 MR. TIDWELL: I'd like to hold to three and
4 reserve that two for later use.

5 CHAIRMAN GOLDWAY: Okay. All right.

6 (Whereupon, a short recess was taken.)

7 CHAIRMAN GOLDWAY: Mr. Tidwell? You haven't
8 used up your three minutes. You're going to save them
9 for the next hearing?

10 MR. TIDWELL: I was thinking that we might
11 use part of it to ensure that the Chairman's
12 cross-examination exhibit is in the reporter's hands
13 and entered on the basis of whatever status the Chair
14 intends to move it in, as evidence or whatever. I
15 just wanted to ensure that we --

16 CHAIRMAN GOLDWAY: I think it's simple to
17 add it as evidence. It's such a short document. We
18 can do that.

19 You do have a copy? I think I handed it to
20 you. No? Staff? J.P., do you have a copy you can
21 offer to the -- here's a copy. It's not labeled.
22 Okay. Thank you.

23 MR. TIDWELL: Otherwise, Madam Chairman, the
24 Postal Service has no redirect.

25 CHAIRMAN GOLDWAY: Thank you for your

1 courtesy in helping us clarify the record.

2 COMMISSIONER TAUB: Madam Chair, can I ask
3 one question?

4 CHAIRMAN GOLDWAY: Of course you may.

5 COMMISSIONER TAUB: Sorry, but since this is
6 a one day event our intent was to get this on the
7 record.

8 CHAIRMAN GOLDWAY: Absolutely.

9 COMMISSIONER TAUB: We've got a busy week
10 next week. I did want to follow up the Chairman's
11 last line of questioning just for some clarity.

12 When the Commission had its information
13 request we had Question No. 9. If you could refer to
14 that? And specifically it goes to this issue of
15 monitoring service performance as we go forward, which
16 I agree with the Chair is a critical issue for the
17 nation's customers of the Postal Service.

18 In your answer on A1 you point out the
19 Postal Service constantly monitors service
20 performance, obviously has a variety of measures,
21 particularly in first class mail where it's robust and
22 reports that to us. It was the second paragraph that
23 I had just a followup on.

24 It talks about that you were informed the
25 Postal Service will be generating service measurement

1 reports that focus on monitoring service for
2 consolidation impacted service areas, and it goes on
3 to discuss that. Within Phase 1, management at every
4 level will be expected to see solutions to service
5 performance and customer satisfaction.

6 Are you aware to what extent are these new,
7 different, additional reports beyond both service
8 measurement systems that are in place, as well as the
9 answer talked about, the management and operational
10 internal reports that are used? Is there something
11 unique or different that's going to be added, and to
12 what extent will that be in place?

13 THE WITNESS: To be honest, I don't know the
14 details. I believe that they're trying to flush out
15 to make sure that they can carefully watch and make
16 sure that they're not disrupting service, but I don't
17 know the details of all of the reports that they're
18 considering creating to monitor the impacts.

19 COMMISSIONER TAUB: Thank you. Thank you,
20 Chairman, for indulging me to get that clarity on the
21 record.

22 CHAIRMAN GOLDWAY: I think that's a fruitful
23 line of consideration for the Commission I believe as
24 we look at this proposal.

25 I would like to thank Ms. Rosenberg for her

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1 testimony here. This is an unusual proceeding that
2 we've had, and you've I think given the somewhat
3 informal structure that the Commission has established
4 to review this new information, you've handled it
5 well. I think we can report back to your supervisors
6 that you should be considered highly for this position
7 that you're now acting in --

8 THE WITNESS: Thank you.

9 CHAIRMAN GOLDWAY: -- based on your
10 performance here today. Again, I appreciate your
11 being here and recognize that we may be looking at the
12 transcript to be asking some further followup
13 questions in the next few days.

14 (Witness excused.)

15 CHAIRMAN GOLDWAY: I'd also like to thank
16 our representative from the APWU for at least
17 informing us of what will be coming our way -- we
18 don't have enough on our plate, you know. We need to
19 consider more things -- and for the polite and cordial
20 way in which all of us have been pursuing this serious
21 matter.

22 So with that I will adjourn this meeting and
23 remind everyone that we have another hearing on
24 rebuttal testimony for this record, and that is
25 scheduled for June 13, 2012, at 9:30 a.m.

1 There being nothing further today, I will
2 adjourn this meeting.

3 (Whereupon, at 12:24 p.m., the hearing in
4 the above-entitled matter was concluded.)

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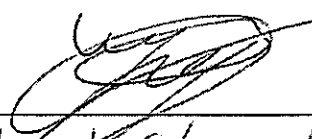
CASE TITLE: Mail Processing Network Rationalization
Service Changes, 2012

HEARING DATE: 6/7/12

LOCATION: Washington, D.C.

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before Postal Regulatory Commission.

Date: 6/7/12



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